

# BUSINESS WEEK

SEPT. 24, 1949

A McGRAW-HILL PUBLICATION



William L. McKnight: Revamps Minnesota Mining's topside (pages 6, 26)

BUSINESS  
WEEK  
INDEX

**Cost Cutting**

SPECIAL REPORT—PAGE 49

TWENTY-FIVE CENTS



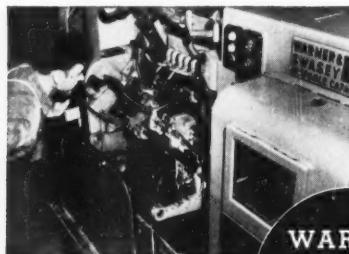
## Bright spot

**I**N A WORLD rotting away with socialism and its destruction of property, profit and hope, it is good to know that America is still the land of opportunity for a man who is determined to make it so.

The newspapers told the story. A former prisoner of the Nazis came to America in 1947, penniless. In two years, on borrowed capital, he has built a business of about a

million a year with a profit the first year of more than \$25,000.

That's the sort of thing that built America. As long as a determined man can make it happen again, we refuse to believe America must join the rest of the world in the bleak, hopeless poverty of communism. So hadn't we all better do everything we can to help *make* it happen here as often as possible?



WARNER  
&  
SWASEY  
Machine Tools  
*Cleveland*



Photo Courtesy Franklin Brewing Co.

## Where glass used to break in a long slide to first

*A typical example of B. F. Goodrich product improvement*

THAT chute-the-chutes used to be made of steel rollers. Cases of bottles would slide down from second floor to first floor. But there'd be collisions, or runaways—with broken bottles, wasted product, delays.

Someone remembered that B. F. Goodrich had developed a special rubber belt to carry things *up* steep inclines; why couldn't it carry things down just as safely? The B. F. Goodrich belt was made with thousands of small knobs or fingers of rubber, tough enough to stand years of use yet soft

enough to bend with a load and grip it. That's why it's called Griptop belt.

Eight years ago this B. F. Goodrich belt was installed and it's still at work. The belt's rubber knobs won't let the heavy cases slip—they move safely, surely at belt speed. Speed of handling cases has increased; time, cost and breakage have gone way down.

B. F. Goodrich research is constantly at work like this to find better, faster, cheaper ways to handle materials and transmit power. Some people might say we are "improving ourselves out

of business." But that's the way this American competitive system works—better and better products reduce cost to the user; the lower the cost, the more people there are who can buy; the more buyers, the more demand for goods, and the more steady jobs. This is the principle of BFG research, emphasized by the opening of the largest research laboratory in the rubber industry—B. F. Goodrich Research Center. *The B. F. Goodrich Company, Industrial and General Products Division, Akron, Ohio.*

**B.F. Goodrich**  
RUBBER FOR INDUSTRY

# SAVE 66 $\frac{2}{3}$ %

## ...with SYLVANIA

### 1. Slash lamp costs!



Now you can realize real savings on lamp purchases—as much as 66 $\frac{2}{3}$ %—when you buy the wonderful new Sylvania lamps that *last 3 times as long as previously rated!* These are the already famous Triple-Life lamps that have a life 7½ times longer than that of an incandescent electric light bulb!

#### Sylvania Developments Hold Secret

To give you this sensational lamp value—light maintained for 200% longer time (based on previous ratings)—Sylvania Research Laboratories and production engineers went to work and developed new processes and improved phosphor powders. The result has been not only fluorescent lamps that last so much longer but also lamps that are virtually free from discoloration up to 5000 hours! You get longer life plus higher light output—at no added cost!



Just think! These amazing Triple-Life lamps will last 3 years or more under normal operating conditions.



Retail stores operating under normal conditions can bank on *at least* 2½ years of high light output.



No fluorescent lamp worries for *at least* 6 long years when operated during the regular school day.



Under normal home conditions, once you install these new lamps you're set till 1956 or longer!



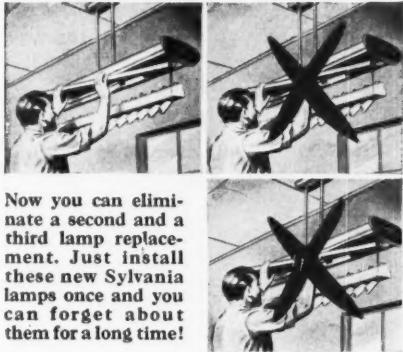
# SYLVANIA

FLUORESCENT LAMPS, FIXTURES, WIRING DEVICES, SIGN TUBING; LIGHT BULBS;

# ON LAMP PURCHASES

## TRIPLE-LIFE fluorescent lamps!

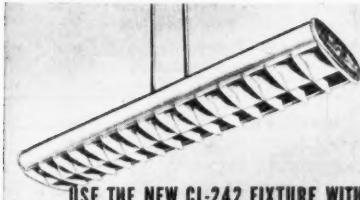
### 2. Cut labor cost of replacing lamps!



Now you can eliminate a second and a third lamp replacement. Just install these new Sylvania lamps once and you can forget about them for a long time!

Over 11,000,000 of these new Sylvania lamps tested for two years under actual operating conditions—in stores, offices, factories—prove you can buy 200% more lamp value.

Take the easy way to save 66½% on lamp purchases, plus a big savings on labor for replacement—order your supply of new Sylvania Triple-Life Fluorescent Lamps from the nearest Sylvania Distributor, or mail convenient coupon for equally prompt action.



USE THE NEW CL-242 FIXTURE WITH  
NEW LAMPS FOR BEST IN LIGHTING!

- Ideal low-cost, carefully engineered office, store or school fixture. Complete with two 40-watt Triple-Life lamps. Miracoat finished reflector has minimum reflection factor of 86%. No joining bands needed. You get single sweeps of light. Ideal light distribution eliminates bright contrasts. Light distributed 55% upward, 45% downward. Get full particulars today.

Unprecedented long life also saves you  
66½% on cost of replacing lamps!

- ✓ Fewer interruptions due to lamp failures.
- ✓ Your initial cost is your only one for years to come.
- ✓ Eliminates job breakdown caused by lamp burnouts.
- ✓ Frees your maintenance force for more important duties.



Mail this coupon NOW

Sylvania Electric Products Inc.  
Advertising Dept. L-9509  
500 Fifth Ave., New York 18, N. Y.

Gentlemen:  
Send full details on new Triple-Life Lamps and CL-242 fixture, plus name of nearest distributor.

Name \_\_\_\_\_

Company \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ Zone \_\_\_\_\_ State \_\_\_\_\_

# ELECTRIC

PHOTOLAMPS; RADIO TUBES; CATHODE RAY TUBES; ELECTRONIC DEVICES

# BUSINESS WEEK

UP goes  
material-handling  
efficiency



when you use Battery Industrial Trucks

**G**reater efficiency in material handling means greater earning power in any plant. Start paring unnecessary moves for production hands or warehouse men and you not only reduce handling cost per unit, but make way for volume never before possible.

Battery industrial trucks are the dependable, economic means of obtaining such efficiency. They can perform their strenuous tasks 24 hours a day every day if required, and their power characteristics are outstanding: instant starting; quiet operation; no fumes; no power used during stops. Driven by electric motors, they have a minimum of wearing parts and are inherently trouble-free.

Keeping these hard-working trucks on the job calls for EDISON Nickel-Iron-Alkaline Batteries. Built of rugged steel, yet precise as a watch, they are recognized for dependability, long life and trouble-free operation. Specify EDISON and you specify maximum reliability—enduring quality.

**ADVANTAGES OF EDISON NICKEL-IRON-ALKALINE BATTERIES:**  
Durable mechanically; foolproof electrically; easy to maintain; not temperature-sensitive; can stand idle without injury.



**EDISON**  
*Nickel • Iron • Alkaline*  
STORAGE BATTERIES



**EDISON STORAGE BATTERY DIVISION**  
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# THE PRESIDENT WHO WATCHED HIS PENNIES!

(and occasionally pinched 'em)

by Mr. Friendly



He said, "In these uncertain days  
They say that watching pennies pays  
But watching pennies ain't much fun  
You've seen 'em all when you've seen one!"

Said Mr. Friendly, "I implore you...  
Leave us watch your pennies for you!  
Leave us watch each precious cent...  
Get up now and *president!*"

"Our special I.E. Loss Control Service," he continued, "helps reduce costly accidents... increases plant efficiency... and has actually cut premium costs to 50% below the average rate for some industries!"

The Pres. signed up and saw his profits grow.  
Now, his pennies are watched and *stretched out so...*  
Lincoln's head sometimes groans and cries  
And copper tears stream from the Indian's eyes!

**AMERICAN MUTUAL**  
...the first American liability insurance company

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*The biggest extra in insurance . . . that's I.E. Loss Control,\* a special service, at no extra charge with every industrial policy. Ask your American Mutual man to tell you how this service works. Write for free copy of "The All-American Plan for Business" or "The All-American Plan for the Home." American Mutual Liability Insurance Co., Dept. B - 65, 142 Berkeley St., Boston 16, Mass. Branch offices in principal cities. Consult classified telephone directory.*

\*Accident prevention based on principles of industrial engineering.

## THE DEPARTMENTS

Antitrust .....	81
Business Abroad .....	117
Business Outlook .....	9
Finance .....	88
International Outlook .....	115
Labor .....	100
Management .....	26
Marketing .....	38
The Markets .....	97
New Products .....	74
Production .....	64
Readers Report .....	58
Report to Executives .....	49
The Trend .....	124
Washington Outlook .....	15

# Where in the world...

are these worn?\*



1 2



3 4



The countries represented here—and many others—are as near as your telephone. In fact, you can reach 96 per cent of the world's telephones from your home or office! If, thousands of miles across the oceans, there's a loved friend you'd like to visit with . . . or an important business matter to settle . . . reach for your telephone. Say to the Long Distance operator: "I want to make an overseas call."

\*1. ITALY      2. PORTUGAL      3. EGYPT      4. PANAMA

BELL SYSTEM OVERSEAS TELEPHONE SERVICE



## THE COVER

After 42 years with Minnesota Mining & Mfg. Co.—the last 20 as president—William Lester McKnight is moving upstairs to a new post. Last week, at his request, the directors named him 3M's first board chairman.

Now nearing 62, McKnight will spend the next three years advising the younger executives who are taking over the reigns of the firm he has dominated throughout most of its 47-year life. For McKnight faces compulsory retirement at the age of 65.

• **Deep Interest**—McKnight has both a deep personal interest and a substantial proprietary interest in 3M. When he joined it in 1907 as assistant bookkeeper, its sales ran perhaps \$120,000 a year; last year they exceeded \$108-million. He and his wife own better than 13% of the concern's common stock—worth a fat \$23-million in today's market.

When McKnight reached his decision to make room at the top for younger men, he was joined by Alexander G. Bush, 3M executive vice-president. Just turned 62, Bush is McKnight's junior by two years in term of service, has been 3M's top sales executive since 1914. Now he is executive committee chairman.

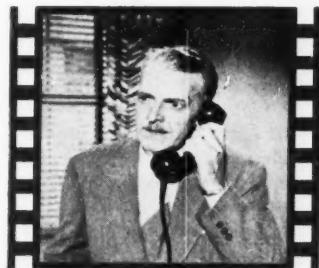
• **Research Program**—McKnight is father of the research program which has accounted for much of 3M's growth. He also fostered the company's profit-sharing plan, which he firmly believes had a big influence in turning research products into sales dollars. Base salaries of officers are moderate—for the top group they ranged last year from \$19,000 to \$36,000. But all officers share in the company's net profit: the amount thus earned depends on the nature of each man's job. In addition, division officers get incentive pay based on the earnings record of their respective divisions. Many an officer more than doubled his base salary last year through profit-sharing.

—Complete story on Minnesota Mining & Mfg. Co. starts on page 26.

BUSINESS WEEK • Sept. 24, 1949

**"Do papers get  
lost in YOUR  
files, too?"**

**"They don't in OURS  
anymore . . .  
and here's why:**



**"WE LOST A BIG ORDER!** The Revere Company was one of our best customers—until the day I couldn't put my hands on our copy of that cost estimate I gave them. By the time we found it, and I called back, they'd placed the order elsewhere.



**"TIME TO IMPROVE OUR FILING!** At first I blamed the file girls. Then my office manager showed me that we had no system—everyone filed according to his own ideas! I decided to visit the filing experts—Remington Rand.



**"I HAD A REAL CHOICE.** After studying our routines, the Remington Rand man made recommendations—based on 8 different filing systems. I chose one tailored exactly for our needs—fast, simple, with foolproof filing controls.



**"THEY INSTALLED IT FOR US.** We didn't even notice the changeover of systems—being made! Remington Rand experts did the work for us—and even trained our personnel. We haven't "lost" a paper since our new system was installed."

**Free Movie Showing for Your Staff . . .  
"IT MUST BE SOMEWHERE"**

Send today for free folder describing the instructive new full-color movie on filing problems—"IT MUST BE SOMEWHERE"—acclaimed by business men and schools. Free showing may be arranged through your nearest Remington Rand office. Call today. Or write on your letterhead to Room 1179, 315 Fourth Ave., New York 10, N. Y.

**Systems—Photo Records  
MANAGEMENT CONTROLS DIVISION**

**Remington Rand**



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Remington Rand Inc.



## Clean Sweep

IT'S quicker and cheaper to wash a floor, or sweep one, when the floor area is clear and unobstructed.

If such a "clean sweep" of floor could be arranged in the washrooms of commercial and industrial buildings, thought American-Standard, quite a few building owners could save quite a bit of maintenance money.

So American-Standard designed a special group of plumbing fixtures for this special purpose. Fixtures that are all *wall-hung*, leaving the floor area clear.

These products are typical of the wide variety of heating equipment and plumbing fixtures developed by American-Standard to meet special needs, or perform special functions, for offices, stores, hotels, restaurants, factories and institutions.

And they typify, too, the foresight and ideals of service that have combined with quality to make American-Standard "First in Heating, First in Plumbing."

American Radiator & Standard Sanitary Corp.  
General Offices: Pittsburgh, Pennsylvania



*Look for this Mark of Merit*

Serving home and industry: AMERICAN-STANDARD • AMERICAN BLOWER • CHURCH SEATS • DETROIT LUBRICATOR • KEWANEE BOILER • ROSS HEATER • TONAWANDA IRON

# BUSINESS OUTLOOK

BUSINESS WEEK  
SEPTEMBER 24, 1949



American markets might have been able to take currency devaluation, by itself, in stride. But it didn't come alone; it was accompanied by strikes and threats of strikes in this country.

The combination was too much. Stocks were soft Monday, tumbled on Tuesday (page 97). Many commodity prices turned decidedly weak.

Stock prices this week suffered more from scarcity of buyers than from any severe pressure. And they stiffened when labor news was good.

There were many reasons for buyers to be wary. Uncertainty abounded. There was little agreement on the precise effects of devaluation. No one knew how far strikes would spread.

Besides, stocks had had a long rise. It was altogether reasonable to suppose that they would be vulnerable even to slight pressure.

This explains in part, at least, why some stocks declined even though the company is affected only indirectly by strikes or devaluation.

Short-run effects of these currency devaluations are deflationary.

Pounds and francs and escudos now will buy less U. S. goods (page 19). This will tend, for a time, to limit our cash exports. But our total exports will continue to be buoyed by Marshall Plan sales.

For the long run, though, the hope is that everyone will sell more.

We have made a lot of concessions to prevent further compartmentalization of world trade into dollar and sterling areas. Britain, in turn, has undertaken to help this along by cutting the pound's value realistically.

If all this works out, everyone's trade will benefit in the end.

Whether or not Europe makes a big dollar gain in sales to this country, one thing is sure: Western Europe will have the biggest tourist year ever in 1950 (barring wars and civil disturbances).

Travelers won't save on plane and ship fares (even though they could this week). Rates will be adjusted—and the traffic will bear it.

But other costs will run in the tourists' favor.

Hardest hit in this week's markets were commodity prices.

Speculators placed their bets in the futures markets. In buying and selling commodities for delivery some months hence, they were wagering on the way prices will look after things settle down.

Nonferrous metals were among the few commodities which enjoyed an untroubled market. Domestic demand has not yet been affected by strikes. Foreign producers marked prices up to match their currency cuts.

These metals are world commodities. Their prices always pretty much equalize, from market to market and currency to currency.

Where they go from here will depend strictly on supply and demand.

Sugar, which has a multiple-price market, moved two ways at once. Cuban sugar for U. S. shipment was steady to a mite higher. But Cuban sugar that is outside the U. S. quota went down fairly sharply.

Presumably, Cuba expects devalued European currencies to buy less sugar.

Coffee had its troubles. Brazil's bean enjoys no such U. S. quota as

# BUSINESS OUTLOOK (Continued)

BUSINESS WEEK  
SEPTEMBER 24, 1949

Cuba's sugar. It has to make its way in the world market. And producers could see that market shrinking this week in fairly direct relationship to the extent of currency devaluation.

Supplies, however, are fairly short, and prices rallied easily.

Prices of American farm products suffered about as severely as any other commodities (in spite of government supports).

European purchases of foodstuffs for cash are bound to decline. So will those of cotton. This makes surpluses of these products look just that much bigger, and the future of their prices just that much less rosy.

Yet exports of farm crops won't dwindle to nothing. ECA funds will prevent that. And the world wheat-marketing agreement helps some, too.

Rubber was subjected to one of the week's wildest market joyrides.

Previously, rubber had risen about 2¢ a lb. to match our government-pegged price of synthetic at 18½¢; now its back down about where it was.

Here is a commodity that could theoretically go down the full amount of the pound's devaluation. Yet, as the British and the Dutch control most of the output, it is one of their best dollar-getters. If they can, they will want to get the price up to 18½¢ or better.

To help them, we have promised to buy more for our stockpile. And we have relaxed our rules on use of natural rubber.

Official policy of countries devaluing their currencies will be to keep export prices at their old dollar levels—except where lower prices will increase sales.

Canada, for example, isn't cutting newsprint (its largest export to the U. S.). Britain probably won't cut Scotch whisky—at least, not until it has more to sell.

Rubber still is in short enough supply so that price doesn't influence demand much. Yet traders are betting that the price can't be held up.

Wool prices started lower this week, then rallied briskly.

This is perhaps indicative of the two-way tug on the British Empire. Exports of raw wool are large to the dollar area. Australia and South Africa can earn valuable exchange if prices remain high.

Yet Britain's exporters of woolens sell more if raw wool goes down.

At home, all efforts this week were bent on averting a steel strike.

The reason was simple: such a walkout would cripple American industry. Loss of wages, fanning out in all directions throughout the labor force, would cut purchasing power and endanger the budding recovery.

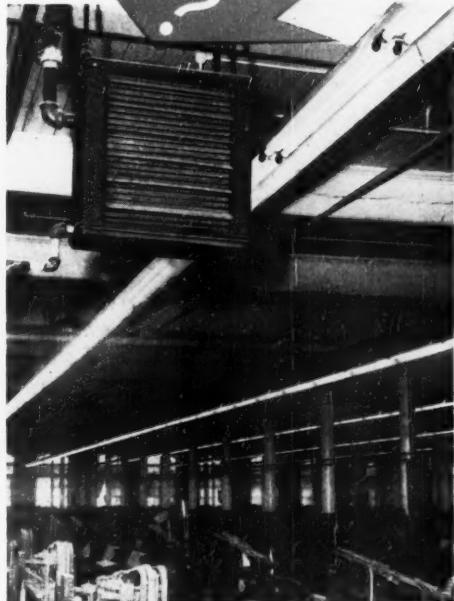
Truman's request on Wednesday for more time reflected this thinking.

John L. Lewis' coal strike, which could shut down the steel industry in time, is being allowed to go its own way. Washington is prepared to sit it out for two months—if it takes that long, and it might.

Complacency this time is based on large stocks in coal-users' hands.

Total stocks on Sept. 1 are estimated at 62-million tons—about a 66-day supply. The electric utilities have an average of 125 days' coal. Steel mills' supplies are spotty, but average about 55 days' needs.

# Which Thermolier Unit Heater is the right one . . .



Conventional finned tube type heating element of standard Grinnell Thermolier Unit Heater delivers maximum heat with minimum maintenance *under ordinary conditions.*



Heating element of Grinnell Textile Thermolier Unit Heater consists of a series of parallel copper sheets attached to the tubes. The absence of hundreds of lint collecting fins allows unobstructed air flow with self-cleaning action *even under extreme lint and fly conditions.*

Unit heating is obviously the most economical, flexible and generally practical type of heating for a textile mill. But the air conditions in some rooms of a mill quickly reduce the efficiency of conventional unit heaters. The air is filled with lint, fly, dust and, often, sizing. When this kind of air is blown through the fin type heating element of any conventional unit heater, these foreign particles collect, mat together and often plug the heating element solid in a few days, practically canceling the unit's capacity.

To correct this condition, Grinnell designed the Textile Thermolier in which hundreds of lint and fly collecting fins are eliminated without sacrificing heating capacity. These special Thermoliuers operate for weeks with only a negligible accumulation of lint. Maintenance costs are reduced. What cleaning is necessary at infrequent intervals is simple and fast.

There is a Grinnell Thermolier Unit Heater in a size and type to give maximum heating results under any operating conditions. Just one of the many products manufactured by Grinnell to do a better job... "when-ever piping is involved".



# GRINNELL

Grinnell Company, Inc., Providence, R. I. Branch warehouses: Atlanta • Buffalo • Charlotte • Chicago • Cleveland • Cranston • Fresno • Kansas City • Houston • Long Beach • Los Angeles • Milwaukee • Minneapolis • New York • Oakland • Philadelphia • Sacramento • St. Louis • St. Paul • San Francisco • Seattle • Spokane



## *A good man to know*

THIS man has ideas that can mean more business for you and your dealers. He's the Trade Mark Service representative of your telephone company.

He can show you how Trade Mark Service directs prospects to your authorized dealers and prevents substitution. You simply arrange with him to display your brand name or trade-mark over a list of your dealers' names in the 'yellow pages' of the telephone directory.

And he can show you how to localize your national brand advertising without waste, by using the 'yellow pages' only where you have distribution.

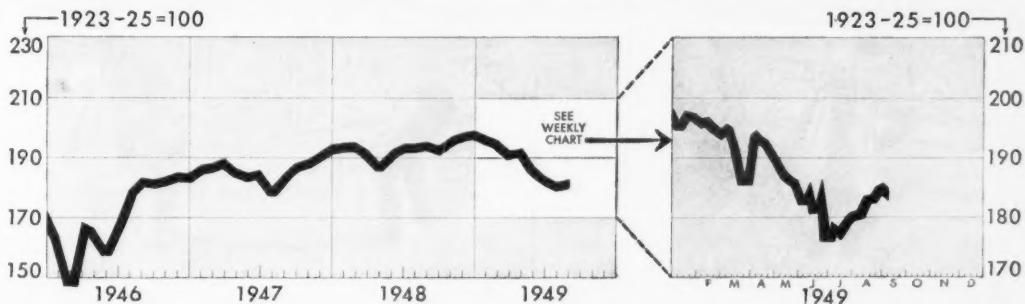
These business-building ideas are worth looking into. You can get in touch with him by simply calling your local telephone business office.



America's  
buying  
guide for  
over 60 years



# FIGURES OF THE WEEK



## Business Week Index (above) . . . . .

### PRODUCTION

	Latest Week	Preceding Week	Month Ago	Year Ago	1941 Average
Steel ingot operations (% of capacity)	86.2	86.6	84.8	96.1	97.3
Production of automobiles and trucks	154,330	123,806	149,359	94,410	98,236
Engineering const. awards (Eng. News-Rec. 4-week daily av. in thousands)	\$28,105	\$26,323	\$32,559	\$23,360	\$19,433
Electric power output (million kilowatt-hours)	5,579	5,258	5,579	5,426	3,130
Crude oil (daily average, 1,000 bbls.)	4,845	4,851	4,727	5,294	3,842
Bituminous coal (daily average, 1,000 tons)	1,165	1,342	1,333	2,236	1,685

### TRADE

	Latest Week	Preceding Week	Month Ago	Year Ago	1941 Average
Miscellaneous and L.C.L. carloadings (daily average, 1,000 cars)	75	76	71	84	86
All other carloadings (daily average, 1,000 cars)	50	50	51	63	52
Money in circulation (millions)	\$27,454	\$27,589	\$27,383	\$28,156	\$9,613
Department store sales (change from same week of preceding year)	-4%	-5%	-15%	-2%	+17%
Business failures (Dun & Bradstreet, number)	185	148	193	84	228

### PRICES (Average for the week)

Cost of Living (U. S. Bureau of Labor Statistics, 1935-39 = 100), July	168.5	169.6	173.7	105.2	
Spot commodity index (Moody's, Dec. 31, 1931 = 100)	348.1	348.1	338.9	420.7	198.1
Industrial raw materials (U. S. Bureau of Labor Statistics, Aug., 1939 = 100)	230.4	229.4	221.1	277.6	138.5
Domestic farm products (U. S. Bureau of Labor Statistics, Aug., 1939 = 100)	300.9	305.1	290.1	340.2	146.6
Finished steel composite (Iron Age, lb.)	3,705e	3,705e	3,705e	3,720e	2,396e
Scrap steel composite (Iron Age, ton.)	\$27.42	\$25.75	\$21.92	\$43.16	\$19.48
Copper (electrolytic, Connecticut Valley, lb.)	17.625e	17.625e	17.625e	23,500e	12,022e
Wheat (No. 2, hard winter, Kansas City, bu.)	\$2.16	\$2.15	\$2.04	\$2.22	\$0.99
Sugar (raw, delivered New York, lb.)	6.01e	5.99e	5.90e	5.61e	3.38e
Cotton (middling, ten designated markets, lb.)	29.97e	30.06e	30.83e	31.28e	13.94e
Wool tops (New York, lb.)	\$1.646	\$1.706	\$1.676	\$1.640	\$1.281
Rubber (ribbed smoked sheets, New York, lb.)	17.86e	18.11e	16.68e	23.02e	22.16e

### FINANCE

90 stocks, price index (Standard & Poor's Corp.)	123.0	123.1	121.7	124.1	78.0
Medium grade corporate bond yield (30 Baa issues, Moody's)	3.37%	3.37%	3.38%	3.46%	4.33%
High grade corporate bond yield (30 Aaa issues, Moody's)	2.60%	2.60%	2.61%	2.84%	2.77%
Call loans renewal rate, N. Y. Stock Exchange (daily average)	1½-1¾%	1½-1¾%	1½-1¾%	1½-1¾%	1.00%
Prime commercial paper, 4-to-6 months, N. Y. City (prevailing rate)	1½%	1½%	1½%	1½-1¾%	1-1½%

### BANKING (Millions of dollars)

Demand deposits adjusted, reporting member banks	46,930	46,410	46,050	47,446	±127,777
Total loans and investments, reporting member banks	66,294	65,689	64,693	63,718	±132,309
Commercial and agricultural loans, reporting member banks	13,171	13,007	12,939	15,183	±16,963
Securities loans, reporting member banks	2,206	2,190	2,072	1,519	±1,038
U. S. gov't and gov't guaranteed obligations held, reporting member banks	37,594	37,378	36,485	34,744	±15,999
Other securities held, reporting member banks	5,038	4,968	4,947	4,475	±4,303
Excess reserves, all member banks	1,210	1,000	1,380	1,647	5,290
Total federal reserve credit outstanding	17,804	17,780	18,694	21,921	2,265

\*Preliminary, week ended Sept. 17.

†Estimate (BW—Jul. 12 '47, p16)

‡Date for "Latest Week" on each series on request.

§Revised.



**1.** Mystic Mike, Magician, complete with hat and rabbit, like many knowing travelers, had the stay-at-Statler habit. "I always head for your hotel," says Mike, "for I like best the magic way you make me feel I really am a guest."



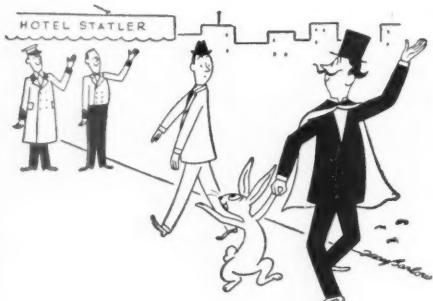
**2.** "The way those Statler chefs can make a meal so good to eat is magic of the finest kind," says Mike. "I can't compete. Each dish is perfectly prepared to tempt my appetite. With me around, the Statler food just disappears from sight!"



**3.** "I know a magic trick" says he, "that lets me sleep on air. But Statler's bed feels softer, so I'll do my sleeping there. Eight hundred thirty-seven springs must be a magic number. I just lie down and—presto—I'm set for night-long slumber."



**4.** "Now here's an easy trick," adds Mike. "There's really nothing to it. If you want breakfast in your room, well, here is how you do it. Just wave this wand, and piping hot your food rolls in the door. (And if you like, your order can be made the night before!)



**5.** "There is no need to 'magic' up a coach and four," says Mike. "The Statler's in the heart of town, and that I really like! Why don't you head for this hotel, and you'll discover, too, the magic touch of Statler makes a pleasant trip for YOU!"



STATLER HOTELS: NEW YORK (FORMERLY HOTEL PENNSYLVANIA)

BOSTON • BUFFALO • CLEVELAND

Detroit • St. Louis • Washington

STATLER OPERATED HOTEL WILLIAM PENN • PITTSBURGH

# WASHINGTON OUTLOOK



**RECIPROCAL-TRADE EXTENSION** gives Truman the administrative lever he needs to open wider the U. S. market for Europe's goods.

The Senate, in rejecting the protectionist "peril-point" clause to the Hull trade act, voted to go along with the Administration's concept of how the biggest creditor nation must act in today's world (BW-Sep.17'49,p111).

But it would be a mistake to count this vote as a stamp of approval on how Truman intends to use this authority. The fact is that the "peril-point" vote turned more on political loyalties than on economics.

Republican leaders made their insistence on the "peril-point" clause a matter of party regularity. That helped hold the Democratic majority in line, particularly westerners lukewarm to lower tariffs on raw materials.

Nevertheless, Truman now has a free hand, until June, 1951, to continue cutting U. S. duties up to 50% of 1945 rates.

He intends to use that power to promote the sale of European goods in this country. The State Dept. already is starting work on another round of tariff-cutting talks next year. Big question is timing. If the talks are speeded, the cuts could get tangled up in 1950 election politics; if they are slowed, the delay hurts Europe's hunt for dollars.

This time, the emphasis will be on products from Europe's factories—where tariffs today are highest and cuts to date have been fewest (page 117).

Such cuts, along with devaluation, will draw into the U. S. market more of the kinds of goods already produced here.

Thus, the real test is yet to come: How far will Congress be willing to go in promoting world trade—when that means the U. S. must absorb competitive products in order to sell goods abroad?

**PAUL HOFFMAN** has a carrot and a goad for expediting economic union among Marshall Plan nations.

The carrot: a \$150-million kitty of ECA funds for the first group of nations to take the plunge of making their currencies freely convertible among themselves. The money will be available to those nations in the group that need it to balance out their payments with the others.

Hoffman is pinning his hopes on France, Bel-

gium, Italy, and the Netherlands. They're talking informally now (page 115).

The goad: a threat to reapportion January-June, 1950, ECA dollars, and cut down portions to nations which aren't going Hoffman's way on freeing intra-European trade, currency, and migration.

Both of these policies are aimed at speeding the day when Western Europe is an integrated producing area and a single market of 275-million consumers. To Hoffman, this sort of federation is the only way Europe ever can become economically healthy (BW-Aug.27'49,p15).

**DEMOCRAT TO WATCH** in Taft's Ohio battle to keep his Senate seat is now Mayor Burke of Cleveland.

Burke appears a cinch to win a third term as mayor in November, probably by a whopping majority. That will make him the strongest opponent Democratic chiefs can agree on to face Taft next year.

But even with Burke, Ohio Democratic leaders are pessimistic over their chances to unseat Taft. They figure that only popular Gov. Frank Lausche could do that—and Lausche has said he won't run.

He won't—unless Taft's backers do something that riles the governor into making the race a personal fight.

Murray Lincoln, the Republican-for-Roosevelt co-op leader, is all but out of the Ohio Senate picture. Democratic party bigwigs won't endorse him.

That leaves, as possible opponents to Burke: State Auditor Joe Ferguson, who already is in the race; Mayor DiSalle, of Toledo; and former Sen. James Huffman. None of these have much chance—either over Burke, in the primary, or over Taft, in the fall.

**ANOTHER WAR HERO** is entering the lists for Congress. Ex-Marine Major Joe Foss, of Guadalcanal fame, hopes to unseat Sen. Chan Gurney in South Dakota's Republican primary next year. Foss now is a member of the state assembly.

**JOHN L. LEWIS' SUSPENSION** of miner welfare payments (page 100), on the ground that non-payment of royalties by some operators has crippled the fund, is demonstrably a phony.

The fund was going broke anyway. Benefits this year were running half-again higher than collections—even at peak production of coal. With the three-day work-week imposed by Lewis in

# WASHINGTON OUTLOOK

(Continued)

July, the fund might not have lasted out the year.

Detailed figures on the welfare-fund operation are hard to come by. But here's the over-all picture:

Collections in the 12 months ended last June were \$91-million. Payments in that period were \$105-million. Payments exceeded collections in eight of the 12 months. The excess of payments was climbing, month by month; in June \$11.3-million was paid out, \$7.6-million taken in.

Fund balance on June 30 was \$29.4-million. This was all that was left of the \$43-million kitty the welfare fund built up on the original dime-a-ton payment in 1947-48, when payments out of the fund were tied up in court.

Under the three-day week, collections—if everyone paid up—would average about \$5-million a month. With payments running above \$11-million, the June 30 balance would have been exhausted by year's end.

So Lewis' game is to drive up the royalty—to 30¢ a ton, retroactive to July, or to 40¢, starting now.

In exchange, there is talk that Lewis is willing to make a concession to big operators who find the three-day week uneconomical: a 7-hour, 4-day week instead of the present 8-hour, three-day week.

## JOHN CARSON'S CONFIRMATION

to the Federal Trade Commission this week opens the door to building the agency into an effective member of Truman's business-policing squad (BW-Aug. 20'49,p16).

Next step will be selection of a new Truman man in place of Commissioner Garland Ferguson, whose term ran out a year ago. He has been serving until a successor is appointed; this has been held up while the Senate was deciding to accept Carson's professional co-op background.

## DEMOCRATIC VOTE RODEO

A campaign platform for 1950—custom-built for the West—is what the Democrats got out of their San Francisco western-states conference last week-end.

More water, more power, more jobs—that's the platform. And to the Democrats from the 11 western states, it all adds up to votes.

Not that the issues are new. Certainly water and power aren't; this year the government is spending \$400-million on reclamation and irrigation in the West.

Not that anything that went on was unexpected. Party leaders ran the meetings and panel sessions smoothly; there were no incidents, no sour notes. After all, most of the problems talked over have only one side in the West.

But the Democrats from California, Oregon, Idaho, Montana, and the rest, now have their party leaders on record on home grounds. And, just as the farmers heard union labor pledge its backing of price supports in the Des Moines meeting in June, westerners got promises from the A.F.L. and C.I.O. to help out on getting more dams and more electricity.

In turn, the Cabinet members and the union leaders—A.F.L.'s Keenan and C.I.O.'s Kroll—got what they came for:

- (1) Endorsement of the Brannan farm plan.
- (2) A western demand for repeal of Taft-Hartley.

Party Chairman Boyle can report to Truman that the farmer-labor coalition, that Brannan and Tobin—and Truman—have been talking up, is making gains.

People who were looking to see whether the Democrats would make a bid to add small business to the coalition didn't get any clear sign, one way or the other.

Secretary Sawyer was on hand. But his propaganda rating was obscured by the more obvious appeal of Krug, Tobin, Brannan, Keenan, Kroll.

This two-day meeting of 2,000 delegates had all the earmarks of the next-best thing to a national Party convention. You had the smoke-filled rooms, the slogan-ridden speeches, the show of home-state pride.

More important, the county leader and the local Grange master had access to more Washington brass than ever before. The delegates kept Krug, Brannan, and the rest hopping from table to table, chewing over local troubles.

You even had your candidates, though unofficially. People backing James Roosevelt for the nomination as governor worked one corridor. Anti-Roosevelt forces of George E. Luckey worked another.

(Note: It's almost certain, though, when the campaign opens Roosevelt will have a clear field to oppose Gov. Warren.)

Boyle and the rest are sold on these regional meetings as a new kind of political vehicle.

Next showing for the Democratic company: Boston—probably Nov. 20-21.

# STRAIGHT TRACK TO A *Pin Point* THROUGH WEATHER



Hourly fixes with Sperry Loran recently guided the *Joseph & Lucia*—dragger out of Gloucester—to within a boat's length of a "pin-point" ridge lying 95 fathoms in water east southeast of Canso Bank. Loran helped make this 500-mile trip a time-saving one all the way for Captain Brancaleone and his four sons, despite frequent fog and adverse tides, currents and winds.

►Repeated experiences like this make Captain Brancaleone say: "Loran saves us at least ten hours each trip. If a gale comes on, we may be blown off our position for 12 hours. With our Loran we can get right back on and begin dragging

again while ships without Loran lose hours looking for the ridge they want to drag over."

►Outward bound, Sperry Loran fixes keep the vessel from wasting time going off course... and inbound, the ship "comes right up to the harbor entrance" by following the Loran line IL1-3355.

►Sperry Loran features extremely fast, simple operation, easy direct reading of time difference and optional mounting.

►The *Joseph & Lucia* is also equipped with the Sperry Magnetic Compass Pilot for straight automatic steering getting to and from the fishing grounds, and remote control steering for maneuvering over the catch.



## ...with SPERRY LORAN

►Both Loran and the Magnetic Compass Pilot, now available to fishing craft, are backed by Sperry's extensive marine organization which assures the availability of spare parts and dependable service to all users.

# SPERRY

**GYROSCOPE COMPANY**

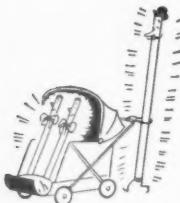
DIVISION OF THE SPERRY CORPORATION  
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OWENS COMPANY, LIMITED • OTTAWA

# LIGHTING NEWS

New lamps—new uses—money-saving ideas

FROM  
**LAMPS**



## TWO NEW SLIMLINE

LAMPS are now available from G.E. in the new 1½ inch diameter that gives more light per foot than standard slimline fluorescents. 4 ft. and 6 ft. long, these two new T-12

lamps are designed as companions to the 8 ft. T-12 recently announced. Like all slimlines, they need no starters—start instantly—require minimum maintenance—have long life. Write for your free copy of "Modernize with G-E Slimlines." General Electric, Div. 166-BW9, Nela Park, Cleveland 12, O.

**TELL-TALE REFLECTIONS SPEED AUTO OUTPUT.** A better way to inspect the finish of automobiles has been developed by General Electric lighting experts for a large automobile manufacturer. As cars pass between vertical banks of fluorescent lamps, inspectors watch lamp reflections on car bodies. Rippled reflection indicates a slight dent or paint imperfection. Company reports new method saves time—is more accurate.



**DO YOU HAVE A SPECIAL LAMP PROBLEM?** For inspection? Signaling? Drying? Or a tough spot to light? Your G-E Lamp supplier can help you find just the right bulb and the right equipment to do the job. He is supported by the complete engineering service of General Electric lighting engineers. See your G-E supplier or write General Electric.

For more data on the items above and for complete information on lamps and lighting, phone your local General Electric Lamp Dept. office.



## PRICES REDUCED ON

**PHOTOFETCH LAMPS.** General Electric has just made an across-the-board retail price reduction on all photoflash lamps. Price reduction—made possible by increased volume—brings prices in most cases down to pre-war levels or below. Price of the No. 5 midget, most popular size, has been reduced from 14c to 12c.

## NEW WAREHOUSES SPEED G-E LAMP

**DELIVERIES.** Warehousing facilities for General Electric Lamps in five new cities, (Omaha, Buffalo, San Diego, Memphis and New Haven) are speeding shipments of lamps to G-E Lamp suppliers. This brings the total of G-E warehouse cities to 36. It's the most extensive distribution system in the business.

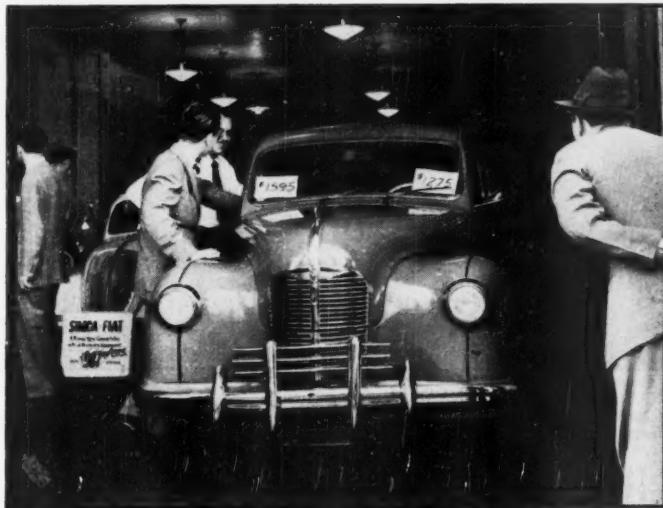


**"SPLASH-PROOF" INFRARED LAMP ANNOUNCED.** A new heat lamp that resists breakage from splashing liquids has just been announced by General Electric. Rated

375 watts, the new lamp is made of heat-resistant glass, can operate in high-temperature ovens. For details on G-E infrared lamps, write for free booklet, "Bake, Dry, Heat with G-E Industrial Infrared Lamps." General Electric, Div. 166-BW9, Nela Park, Cleveland 12, O.

You can put your confidence in—

**GENERAL ELECTRIC**



MARKDOWN in prices should jack up Europe's sales in U.S. market.

## Devaluation: Boost for Trade?

Cut in pound and other currencies should help Europe's exports, ease world dollar crisis. But for American business, exchange-rate slash means tougher competition here and abroad.

There is no parallel in history to the sudden and drastic shakedown of international exchange rates that followed devaluation of the pound sterling.

What's more, within the next few months there may be almost as drastic a shakedown in international trade. And this, of course, will have its repercussions in the U.S. economy.

• **Inevitable Step**—The timing of London's move was dictated by a drain of gold reserves that threatened to bankrupt the sterling area. But devaluation of the pound and most other nondollar currencies has been in the cards ever since World War II. There was no other way to remove the disparity in dollars and nondollar price levels. And so long as this disparity lasted, it was impossible to tackle realistically the disequilibrium in trade between the U.S. and Western Europe.

That's why the Truman Administration and the International Monetary Fund have sponsored, and now welcome, the shakedown in world-money values. No one in Washington expects

that, by itself, devaluation will change the shape of the world. If domestic prices are allowed to go up much in Europe, or if the U.S. fails to provide further stimulus to American imports and overseas investments, devaluation gains could be washed out within a year (page 124).

• **Immediate Effects**—For some weeks, though, American businessmen will be more concerned with the immediate effects of this global price-leveling operation, than with its long-range implications.

There's no chance, of course, that a flood of foreign products will swamp the U.S. market. Still, the combined effect of higher imports of finished goods and some fall in exports is bound to have a mildly deflationary effect here. Then, too, prices of imported raw materials are likely to drop some and that will tend to bring down U.S. prices.

• **Exports Hit**—It's the U.S. exporters, though, who are likely to feel the squeeze most—particularly in third mar-

kets such as Latin America and the Middle East. Stiffer competition will come from the Continent as well as Britain.

In many export lines, perhaps textiles and chemicals above all, the U.S. price advantage will be gone. In motor cars and tractors, the drop in British prices will make for tougher competition. Even in capital goods, our chief advantage will be faster delivery. What seems certain, in any case, is that profit margins on U.S. exports will have to be slimmed.

• **Not Aimed at War**—The fact is that once the British decided to devalue, they did it with a vengeance. But despite French charges that Britain is waging economic war with a \$2.80 pound, competitive advantage was not Chancellor Cripps' chief calculation when he picked a rate that was unexpected even in Washington. Cripps and his treasury experts figured that it was better to err on the low rather than the high side. A rate that couldn't be held a year from now, they reasoned, would be the end of confidence in sterling.

• **Added Strongpoint**—The \$2.80 pound has at least two other advantages:

(1) The rate is low enough to stimulate British exporters to go after American sales. This holds true for products already being sold in the U.S. market, plus products that haven't been so profitable to push up to now. The drop in British prices here will not be a full 30%, of course. For most items, the range will be somewhere between 10% and 25%.

(2) The pound is also low enough to allow for some increase in British costs and prices without losing a competitive position for exports that will still be strong.

• **Cost Increase Sure**—Some increase in British costs is inevitable. For one thing, the lid cannot be held completely on wage boosts now that the cost of dollar food imports has gone up. For another, prices of sterling-area raw materials will go up in terms of pounds (page 9). That will push up British production costs. But London must accept this if the sterling area's dollar earnings are not to drop drastically.

• **Earning Drop**—There is no chance that United Kingdom exports to the U.S. could increase enough to make up for a 30% drop in earnings from the rest of the sterling area. As it is, U.K. unit sales to the U.S. will have to go up plenty to net the same number of dollars as before.



**SUCCESS** for British chinas like Wedgwood comes from two things: a label that spells high quality—and 42 years experience working the U. S. market. Wedgwood reports U. S. demand slightly ahead of supply.

### CHEAPER STERLING ALONE WON'T DO IT, BUT . . .

Devaluation, alone, won't cure Britain's trade problems. Not by a long shot (page 19).

Lower prices on some British articles will speed up sales in the U. S. for a while. But when the bargain flavor wears off, British manufacturers are likely to find themselves facing the same old trade bogey.

• **Marketing Problem**—As ECA chief Paul Hoffman and many other seasoned salesmen have warned, Britain's export troubles are caused as much by inadequate marketing of their goods as by high prices. Traditionally, the English attitude is that a good item will beat its own path to a market. Americans say if a product has merit, don't keep it a secret. Spot the market, blaze distribution trails—and advertise.

Not that the British aren't making an effort. Ten years ago U. S. imports from the sterling area totaled \$115-million. But last year that figure was more than doubled: \$283-million. Bulk of U. S. purchases are raw materials. Topping the list of manufactured imports from Britain is Scotch whisky. Some other sellers: autos, bicycles, woolen and linen products, pottery, shotguns.

Will more hustle really boost U. S. sales of British goods? A few British companies have tried it. Their success suggests how merchandising pays off.

• **Daks Slacks**—Outstanding example is S. Simpson, Ltd., of London, which ex-

### U. S.-Type Merchandising

ports a line of trousers tradenamed Daks Slacks. They retail from \$29.50 to \$35, the top price bracket in the field.

In spite of the high price, during the first six months of 1949 Daks sales ran 40% ahead of last year. This gain was made in the face of a general decline in men's wear volume. Daks' U. S. sales are now running almost 1,000 pairs a week. And a Simpson official says the company expects to triple that figure with added production from a new plant opened early this month in Scotland.

Simpson has followed U. S. merchandising methods right down the line. First, it restyled the product to suit American tastes. Some style changes: a trimmed-in seat, narrower cuffs, zippers instead of buttons, lightweight vari-colored materials instead of gray flannel.

Then Simpson fired off an ad campaign aimed at the man who could afford to pay \$30 for a pair of slacks. The ads (picture) hit home. Significantly, the whole promotion job was done on a tight budget: \$40,000 a year which the Bank of England allows Simpson for U. S. advertising.

• **Bike Assembly**—Raleigh Industries, Ltd., is another English company that has found a successful merchandising formula for its U. S. market. Raleigh makes Raleigh and Rudge bicycles (picture). Other British makers ship their bikes disassembled to U. S. dealers. That saves freight but it's a headache for



Daks set a new standard of cut and comfort. They're self-supporting, shirt-controlling, and leave the body perfectly free. In fine English fabrics.

For nearest store, write —Dept. N2  
Simpson Imports, Inc., 9 E. 38 St., New York 16, N. Y.

**SUCCESS** in selling these \$30 slacks came from special styling to U. S. tastes and a well-directed ad campaign. Simpson, Ltd., sells 1,000 pairs a week, figures it could triple volume with more production.

dealers who have to put them together.

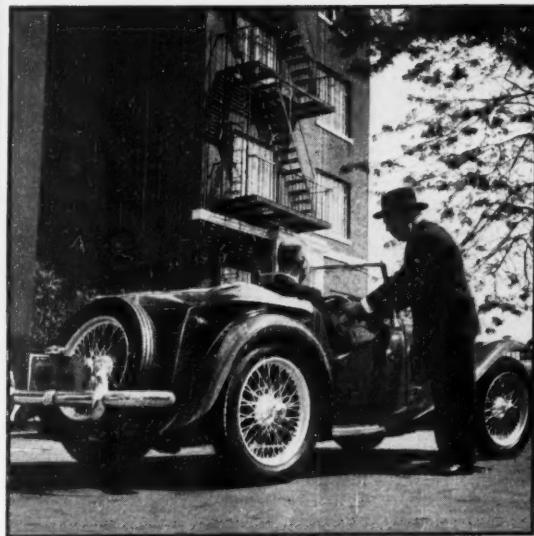
Raleigh spared the headache and won more dealers by setting up its own assembly plant in Boston, Mass., last year. Now Raleigh's retailers can keep one bicycle on display, have orders filled directly from the Boston plant. And Raleigh is getting 60% of English bike sales here.

• **China Sales**—In the field of English china and earthenware the problem is not U. S. marketing but limited production in England. Demand for old standbys like Wedgwood and Spode is good, say retailers. The Wedgwood label (picture) has been in U. S. showcases since 1907. The company keeps a battery of salesmen calling on retail stores from coast to coast five months a year.

• **Poor Deliveries**—Buyers of Britain's woolen and worsted yard goods point to one glaring fault in English merchandising in this field: slow deliveries. U. S. clothing manufacturers, the bulk users of British yard goods, report that deliveries from England take from six months to a year.

But the fault here is, so British manufacturers say, largely an internal one. Girls, who used to work in the mending sheds, didn't come back after the war. Now they prefer to "stand behind department store counters with paint on their nails," says one disgruntled English mill representative.

• **Cooperation**—Results when British manufacturers and their American retail



**SUCCESS** for British M.G. is largely due to design. A high-speed, low-slung baby sports car, the M.G. has no American-made competitor. Sales are still good though price is high (\$2,395).



**SUCCESS** means making product-handling easier for U.S. dealers, figures Raleigh Industries, Ltd. Raleigh assembles bikes like the Rudge at its Boston (Mass.) assembly plant, ships directly to customers.

## and More Hustle Might Sell Britain's Goods

outlets work together to promote sales have proved worthwhile—for both parties. For instance, Bonwit Teller, Inc., New York high fashion store, and Pringle & Sons, Ltd., of England, have a cooperative project that is boosting sales of cashmere sweaters and tweed skirts made by Pringle.

The idea was Bonwit's. The store figured it could promote sweaters and skirts dyed exactly the same color. So Bonwit developed a special dye ("Burnt heather"), sent swatches of the color to Pringle in England. Pringle made the sweaters and skirts (styled by a New York designer), dyed them in the same pot. Now they're selling in New York—together with a U.S.-made hat. And Bonwit reports "sensational sales."

• **British Cars**—Another side of the British selling problem shows up in comparative U.S. sales of two British cars: the Austin and the M.G. Both models had easy going just after the war when almost anything with a motor and four wheels found a buyer. Now they're butting competition from the big U.S. car-builders.

Interestingly, the M.G., selling at \$2,395, is getting a small but increasing share of the market. But the lower-priced Austin has been dwindling in sales volume. Why?

The M.G. is small, low, fast and sturdy (picture). It's strictly a sports car. And it has no U.S.-built competitor. But

the conventional Austin can't promote itself as a high-priced toy. Even with a \$225 price cut this week, Austin still has to battle against the bigger, more powerful Ford, Plymouth, and Chevrolet.

• **Savvy Selling**—Britain's biggest dollar-earner in the U.S. has long been Scotch whisky. One reason is the fact that

the British liquor is merchandised by big U.S. companies that know the marketing ropes—Fleischmann Distilling Corp., Park & Tilford, Inc., Schenley Import Co. and others.

Savvy merchandising has kept Scotch holding fourth place in popularity among various types of whiskies consumed in the U.S. (BW-Sep.10'49,p84).



**WRONG DESIGN** English Sheffield steak knife (left) can't compete with high-styled, hollow-ground U.S. blade (right).



**WRONG PRICE** A 150% tariff boosts price on this English clock to \$85. Similar U.S. item would sell for about \$40.

## Battle of Seattle

**Air Force's Symington reassures Far West on shifting Boeing output inland. More work promised for the coast.**

Pacific Northwest businessmen are on the warpath to keep military production of the Boeing Airplane Co. in Seattle (BW-Aug. 20 '49, p23). Last week their protests drew some clarification from Air Force Secretary W. Stuart Symington and some official backtracking from the Pentagon—on the policy of moving aircraft plants inland.

• **The Threat**—Boeing, with 24,000 employees at Seattle, is the number one payroll of the Pacific Northwest. So cancellation of the Air Force contract for B-54 medium bombers, previously scheduled for construction at Seattle, and Air Force pressure to have the new B-47 jet bomber built at the government-owned, Boeing-operated plant at Wichita, Kan., drew quick fire.

• **Reassurance**—Then, in a tense 24-hour session at Seattle, Symington told businessmen and political leaders:

(1) The Air Force has no intention of socializing the aircraft industry by concentrating it in government-owned plants.

(2) The Air Force has never had any thought of uprooting the aircraft industry from the West Coast.

(3) The Air Force has no intention of replacing Seattle as the main Boeing plant. The Wichita operation will be no more than a supporting plant.

(4) The B-47 from the outset was planned for production at Wichita. There were two reasons: First, strategic as to defense; second, to maintain a mobilization potential in another plant.

(5) The B-52, a heavy jet bomber now being developed at Boeing, Seattle, will be manufactured in Seattle, under present plans. (But active production is three years away.)

• **Risk**—Symington explained that Seattle is within reach of Russian planes, of the B-29 type, from Siberian bases. Wichita is beyond that reach. He said that if both the B-47 (medium bomber) and B-52 (heavy bomber) were built at one plant, a single enemy bomb could knock out production of those two basic planes. To build them both at one plant would be a mistake, whether the plant was at Seattle, Wichita, or Texas.

Part of Boeing's trouble, he said, was just what had hit the entire air industry—a reduction of plane orders following a cut in the Air Force strength from 66 to 48 groups.

• **"Arrangements"**—The next day Symington and his procurement chief, Maj. Gen. K. B. Wolfe, thrashed matters out

with William M. Allen, Boeing president. Out of the meeting came a joint statement that "arrangements have been made to put additional work at Boeing's in Seattle," and that Allen felt that "under the existing Air Force procurement program, this is the most satisfactory solution of the problem."

There was no word on what the additional work would be. It could be the transfer to Boeing of construction of subassemblies for the B-47 which have been put out on subcontracts; or it could be additional orders for the C-97, cargo version of the Stratocruiser.

• **Defense Problems**—Symington's meeting in Seattle focused attention on defense problems of the West Coast and Alaska. Gov. Ernest Gruening of Alaska, at the conference, lashed transfer of Boeing work inland as "nothing more than a 20th-century retreat from Moscow." The remedy, he said, was more appropriations for Alaskan defense.

Symington, too, granted that more money was the key to stronger defense, particularly for a radar screen. The construction of that screen, he indicated, might be a factor in deciding who gets the B-52 contract.

## Fuel-Oil Buying Needed To Block Winter Pinch

The petroleum industry will have to step up refining of crude oil in the next few weeks by about 400,000 bbl. a day. Otherwise, oil men will face the possibility of a winter fuel-oil pinch.

• **Waiting for Buyers**—Right now, refineries are turning out about 5.3-million bbl. a day. That falls a good bit short of what the industry thinks it should be processing for the months ahead. The catch is that oil companies can't boost output simply because they want to. Storage tanks are brim-full now. Refineries will have to go slow.

All summer long, fuel-oil users have held off the market. Oil companies adjusted refining operations to cut-back heating oils. But stocks mounted.

Those stocks would go fast, however, once cold weather sets in. Then oil men would have to start racing to keep up with demand. Some oil economists look for an 18% increase this winter in the demand for kerosene and distillate oil.

• **Some Improvement**—In the past few weeks, sales have picked up slightly. The coal strike, however—provided it's not too long—should be just what the industry needs to bring buying up where it belongs. With the miners out, industrial users who can burn either coal or oil are sure to stock up on oil. And home owners, aware that a shortage of one fuel can cut into supplies of another, will probably be spurred into filling up their tanks.

## Housing Cheer

**Seven-million families plan to build or buy by 1953, FRB study shows. Homeowners reached 20-million last year.**

It looks like a long-range lift for the housing market. Families plan to build or buy at least 7-million more homes by 1953. That's the cheerful word this week from the Federal Reserve Board's annual survey of consumer finances (BW-June 18 '49, p19).

• **One in Four**—The University of Michigan's Survey Research Center, which did the job for FRB, bases its conclusions on some 3,500 interviews in 66 sampling points throughout the nation. Of those questioned, 5% said they would buy or build this year, about 17% expected to be shopping for another home between 1949 and 1953, 53% said they definitely would not be in the market, and the rest were undecided. Totting up, FRB estimates that about one family in four is interested in buying a home in the next five years.

• **Profile**—But that was as far as the survey peered into the future. The rest of the 16-page study gives a rough financial profile of nonfarm home-owners and rent-payers over the past year (the survey was made in early 1949). Some interesting findings:

**Home-owning families** (nonfarm) totaled about 20-million at the beginning of 1949. That's a record, says FRB, and an increase of almost 2-million over a year ago. And roughly half of the grand total had bought their houses since Pearl Harbor. The survey shows that just under 18-million families rented homes; about 2-million neither owned homes nor paid rent.

**Mortgages outstanding** are bigger today than they were before the war. The average mortgage in 1948 was about \$3,700, FRB says. The 1940 Housing Census recorded the average mortgage at \$2,300. But 55% of all home-owners told FRB canvassers that they owned their properties free of any mortgage debt.

**Equities of 50% or more** in their property were reported by over half of owners having mortgages. Thus it looks as though the ratio of debt to home-value was low enough to permit further borrowing in most cases.

**Total expenditures** by owners on their homes (including taxes, mortgage payments, repair and additions) came to over \$12-billion, or about 13% of the annual incomes of family-owners. Rent-paying families turned over \$7-billion to their landlords in 1948, just over 12% of total family income.

# Welfare Funds—Here To Stay

The only question is the form they will take. Will employers foot the whole bill? Or will workers chip in? What happens in steel will set the pattern.

No matter who wins the current battle over the terms of a steel-industry retirement plan, it looks as if the company-sponsored welfare fund—in one form or another—is here to stay.

You can tell this for certain just by glancing at these figures compiled by the Bureau of Internal Revenue:

- By latest estimate, some 6-million workers are enrolled in more than 10,000 company pension and insurance plans that have resources well over \$1-billion. Since 1947 the number of workers covered has more than doubled.

There's only one important question still to be decided: Will the typical private-welfare systems of the future be financed entirely by employers? Or will workers also be obliged to contribute?

The outcome seems, at this time, to be a toss-up. Almost half the workers covered help support their systems; the rest pay nothing at all. So the settlement reached in steel will tip the balance one way or another, start a trend that will probably prevail for years to come.

- Insurance—However, non-government figures indicate that companies have more insurance plans with employee contributions than without. The Institute of Life Insurance released a study this week that shows two out of every three group insurance plans provide for sharing the cost between employer and employees. About 17-million workers are said to be covered under all out-

standing group contracts. These figures have been interpreted as lending some support to the steel companies' position that all welfare plans should be supported by both employers and employees.

- Recent Development—Although it is now deeply entrenched, the company-sponsored welfare plan is a Johnny-come-lately. The first real shove came with the passage of the Social Security Act in 1935. But mushroom growth didn't really begin until the war, when the Stabilization Act of 1942 put a lid on wage and salary increases. That left the door open to union demands for disguised increases—the so-called "fringe" benefits—which employers found easy to grant.

Finally, in 1942, the sections of the tax code dealing with pensions were liberalized. For the first time, an employer could find out from BIR in advance whether his contributions to a particular pension fund were legal tax deductions.

- Postwar—With the end of wartime profits—and taxes—the welfare fund lost much of its charm. Employers resisted attempts to bring health and retirement benefits within the scope of peacetime collective bargaining.

But last year the National Labor Relations Board ruled that pensions and insurance was an issue on which management must bargain. The ruling, later upheld in the courts, opened the gates

to the wave of union drives that has since made the welfare fund an accepted institution in major U.S. industries.

Today, plans are in operation under collective bargaining agreements with nearly 100 different international unions. Large numbers of workers are covered in the building trades; furniture, apparel, and machinery manufacturing; the service trades; and in utilities.

- Wide Variations—Not all welfare systems offer the two basic types of benefits—health and accident on one hand, retirement on the other—to their members. Bureau of Labor Statistics estimates that only 44% get both; 11% get pensions only; 45% get just the health benefits.

There are other means of classifying welfare funds than by type of benefit. Plans vary as to method of financing and insuring, of administration and of eligibility criteria.

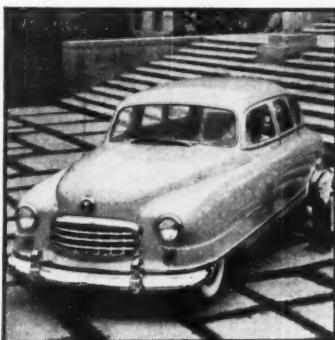
Here are thumbnail sketches of some of the bigger and better-known corporate welfare systems.

**United Mine Workers** fund is wholly financed by employers through a royalty payment of 20¢ per ton of coal mined. It is run by a tripartite board of trustees—one picked by the employers, one by the union, and the third by both.

The fund provides a pension of \$100 a month, assistance grants to disabled members and widows of deceased members, and hospitalization for mine accident victims. To be eligible, a miner must (1) be at least 62, (2) be a U.M.W. member, and (3) have worked in the pits for 20 years.

**Bethlehem Steel** welfare plans are set up to handle health and death benefits separately, apart from pensions.

The so-called relief plan is administered by a board of trustees representing



## New Nash: Most Changes Are Under the Hood . . . and Inside

Like other car makers, Nash restyled its cars inside and out just after the war. Now, judging from the 1950 Airflyte models, Nash is concentrating on mechanical and interior refinements: higher engine compression for the higher-priced Ambassador (left), a longer piston stroke for the lower-priced Statesman (formerly called the 600). Both have the new radiator, and the new Seal-Flex oil-control piston ring (center, left),

which gives greater oil mileage than the old one next to it. Right front seats are adjustable (right). And General Motors' Hydramatic transmission is optional equipment on the Ambassador (BW-Jul. 2 '49, p26).

workers and the company jointly. It covers all employees of Bethlehem and its subsidiaries, and is financed by regular employee contributions, plus company donations. Benefits: from \$200 to \$1,500 at death; up to \$12 a week for sickness; up to \$33 monthly for permanent disability.

The Bethlehem pension plan is run by a pension board, appointed by the corporation and is financed entirely by it. All employees 65 and over with 25 years of continuous service are eligible for benefits ranging from \$600 to \$25,000 a year.

The amount in any given case is equal to 1% of average monthly pay multiplied by the number of years of service. When a worker quits voluntarily before he reaches the retirement age, he gets nothing.

**The International Ladies Garment Workers fund** is financed wholly by employees through a payroll "tax" of 3% or 4%. It is really 49 separate funds run by locals or regional groups of locals—according to standards and rules established by the international.

Members get sick benefits; hospitalization; surgery, maternity, tuberculosis, eye, and vacation benefits; and have access to union health centers.

**United States Steel** already has a number of different welfare systems in operation at its various subsidiaries. Most plans are patterned after that of the parent company, which handles insurance apart from pensions.

The U. S. Steel group-life-insurance plan offers renewable term insurance to all the corporation's workers at only 55¢ per month per \$1,000 of coverage. The company pays the balance of the net premium plus all administrative costs.

• **Two Plans**—The U. S. Steel and Carnegie Pension Fund (as it is officially known) is two separate retirement funds:

(1) For service prior to Jan. 1, 1940. The company is the sole contributor—and all employees over 65 with 25 years of service are eligible. The corporation alone controls this fund. Benefits: 1% of average monthly pay in the 10 years prior to 1945 multiplied by the number of years of service prior to 1940 and diminished by from 5% to 25%, depending on the pay bracket.

This plan, which covers only a fraction of U. S. Steel employees, was originally set up when there were no public pension systems. But since the enactment of social security, the benefits under that act have been subtracted from those in the company plan.

(2) For service after Jan. 1, 1940. Only workers making \$3,000 a year or more are eligible—and employees must contribute 3% of their annual earnings in excess of \$3,000. The corporation

then adds an amount actuarially determined as sufficient to finance benefits.

The fact that a lot of steel workers don't make \$3,000 a year is one reason why the union is asking for a new non-contributory pension system.

Steel workers—and the C.I.O. gener-

ally—feel that social security is inadequate and must be augmented. It endorses social security in its present form—based on contributions by worker and employer. But that doesn't necessarily mean the union favors contributory systems when privately set up.

## Outlays for New Plant and Equipment

(In Millions of Dollars)

	Total		1948		1949		1949	
	1947	1948	1949	3rd Quarter	4th Quarter	3rd Quarter	4th Quarter	
<b>Manufacturing</b> .....	\$7,460	\$8,340	\$7,120	\$2,090	\$2,320	\$1,770	\$1,620	
<b>Mining</b> .....	690	800	740	200	220	180	170	
<b>Railroads</b> .....	910	1,320	1,360	320	410	340	280	
<b>Other Transportation</b>	800	700	540	170	170	140	130	
<b>Utilities</b> .....	1,900	2,680	3,100	690	850	810	830	
<b>Commercial &amp; misc.</b>	4,430	5,390	5,080	1,360	1,440	1,300	1,240	
<b>Total</b> .....	\$16,180	\$19,230	\$17,920	\$4,830	\$5,410	\$4,550	\$4,250	

## Capital Spending Tapering Off

But government figures show that 1949 will still be second-best year in history. Biggest cutback in plans is by manufacturers. Outlays by utilities will top last year by an estimated 16%.

The downturn in business spending for new plant and equipment is speeding up. But industrial investment during the last half of the year will still be at a rate high enough to make 1949 the second-best year in history.

• **Survey**—That's the picture you get from a new survey by the Securities & Exchange Commission and the Dept. of Commerce.

For those more interested in trends than absolute figures, these estimates aren't very reassuring. It now seems that total capital expenditures for 1949 will come to \$17.9-billion—down 7% from last year's record \$19.2-billion. (Earlier surveys had shown that businessmen planned to cut back about 5%.)

• **Fourth Quarter**—Taking the fourth-quarter estimate alone (\$4.25-billion), the drop from the same 1948 period is expected to be about 21%. This would mean reversal of a trend, evident in previous years, toward a seasonal upswing in spending in the final quarter.

The outlook, however, seems much less gloomy when the figures are put in proper perspective.

• **Perspective**—For one thing, the cost of capital expansion—materials and even labor—has been declining. Though expenditures have fallen faster, it's safe to say that the physical volume of plant and equipment purchases for all of 1949 is pretty close to last year's total.

For another, businessmen can still change their minds—and revise their plans upward.

Finally, the SEC-Commerce figures were gathered at a time when management was pretty glum about future prospects. The research was done in July.

Note that the table (above) shows that the most striking cutback in spending plans comes in that sector of the economy hardest hit by the "recession"—manufacturing.

• **Manufacturers**—Last spring, manufacturers expected to lay out \$1.840-million for new plant and equipment in the third quarter. But by mid-summer, they had shaved the total for the same period to \$1,770-million. And they are planning to cut fourth-quarter outlays still further—to \$1,620-million.

By Dec. 31, manufacturers will have spent an estimated \$7.120-million for new facilities. Last year they actually invested \$8,430-million. So this year will be down more than 14%.

• **Others**—Expenditures by mines, the railroads, and other transportation groups continue to fall off at what has turned out to be a fairly constant rate. The utilities are still the one class to maintain a rising volume of spending—although the fourth quarter will be below a year ago for the first time.

The electric and gas utilities spent \$780-million during the April-June period. They expect to raise the ante by \$30-million in the third quarter, by still another \$20-million in the fourth. All told, the utilities outlay will come to an estimated \$3,100-million in 1949—up 16%.

# What the A. & P. Case Means

**Antitrust suit to break up the big food chain underlines a fundamental change in government antitrust policy: It now seeks to protect the little businessman—rather than the ultimate consumer.**

The government's basic antitrust philosophy has changed radically in recent years. That fact was pointed up sharply last week in the civil suit filed in New York by the Justice Dept. against the Great Atlantic & Pacific Tea Co.

• **Change in Definition**—The idea of the antitrust laws has always been to protect the little man. It's the definition of "little man" that has changed.

When the first antitrust laws were passed, back before the turn of the century, the men who wrote them usually thought of the little man as the ultimate consumer. Their theory was that bigness—monopoly—was the power to rig prices at an artificially high level. So they wanted to bust up the monopolies to destroy that power and bring lower prices for consumers.

Today's antitrust laws—and the agencies that enforce them—have a new definition of the little man. It's the little businessman who now is in sharpest focus.

• **Today's Laws**—This change in definition got its big boost during the '30's. The avowed purpose of the Robinson-Patman act (part of the antitrust laws) was to protect small manufacturers and distributors from being discriminated against. In the same vein are the Miller-Tydings act, and the many state fair-trade laws that followed it; plus the various state chain-store taxes designed to make things harder for big boys and easier for small ones.

Significantly, most of these changes were not the work of New Deal dreamers. The spark came from the embattled small businessmen and their trade associations—notably in the food and drug fields. Indeed, when Thurman Arnold sent shivers through the business world in the early 40's by suing right and left, it wasn't merely Arnold on the warpath. What really started the famed movie case, the first action against A&P., and many others, was the angry cry of little business.

• **Three Points**—The Justice Dept.'s new suit against A&P. asks: (1) that A&P. be forced to dispose of its manufacturing and processing divisions (Ann Page foods, Jane Parker bakery products, A&P.'s private-brand coffees, etc.); (2) that the Atlantic Commission Co. and A&P.'s other wholesale and jobber affiliates be entirely dissolved; and (3) that A&P.'s retail chain itself be broken up into seven regional chains.

The government has based this case

very closely on its criminal antitrust case against A&P., which it won (BW—Mar. 5 '49, p.77). The complaints in both cases deal almost entirely with the "unreasonable restraints of trade" that A&P. has imposed upon competitors at all levels of the food industry."

• **Public Statement**—A&P. is trying to fight back by getting the original beneficiary of the antitrust laws—the consumer—on its side. In full-page newspaper ads this week, it said:

"This action . . . if successful, would mean higher food prices for you . . . less food on every dinner table and fewer dollars in every pay envelope. . . . This whole attack arises out of the fact that we sell good food too cheap. . . . Do [the American people] agree with the antitrust lawyers . . . that we should be put out of the picture so other grocers can charge more?"

• **Legal Outlook**—A&P. also announced in its ads that it would fight the case to the bitter end. That means that a final decision will be a long time coming. The Justice Dept. holds a strong

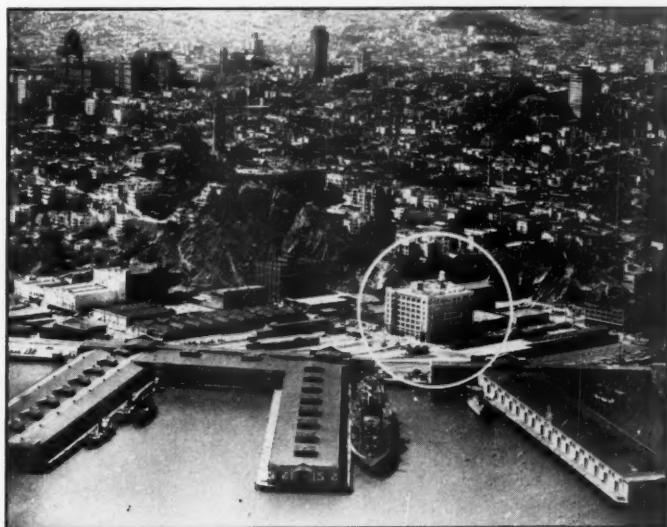
card in its victory over A&P. in the criminal antitrust case. For legally, any judgment in an antitrust case becomes *prima facie* evidence in any new case brought against the same defendant. So Justice Dept. figures there's no further argument about the issues involved.

A&P.'s first battle will probably be to have the case opened up again on the basic issues. If it loses that, the case comes down to legal determination of what should be done with A&P. so that it will no longer violate the law.

• **Fight Against Bigness**—In a larger sense, the suit against A&P. is only one small part of the government's attack on bigness, as such. That battle is raging both in Congress and in the courts (page 84).

Government antitrust chief Herbert Bergson takes particular pride in four big cases that he has filed since he got the job last June: cases against A.T.&T.; Western Electric; du Pont-General Motors-U.S. Rubber; the Big Four meat packers; and A&P. Each of these four cases is directed at splitting up big outfits into smaller integrated companies.

If the courts go along, bigness is in for a bad time. And if the courts don't go along, anti-bigness Congressmen are going to set up a loud, continuing howl for tougher antitrust laws "to meet today's needs."



**Elbow Room—in Crowded San Francisco**

Jammed-up business districts make for tough parking and high rents. In congested San Francisco, Fibreboard Products, Inc., found a way out. It moved its executive and sales offices from the Russ Building—in the heart

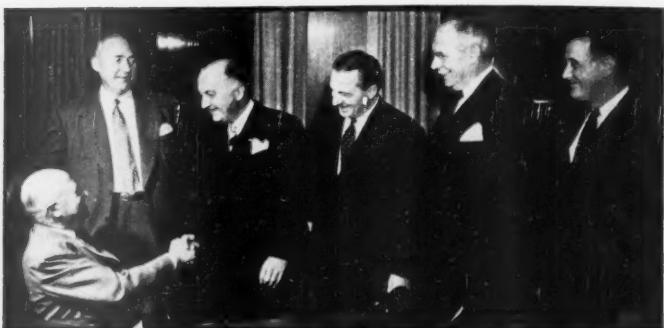
of the city's financial area—to Fibreboard's own warehouse (circle) on the Embarcadero. San Francisco's lively waterfront. Two top stories of the seven-story building have been decorated and dressed up for the staff.

# MANAGEMENT

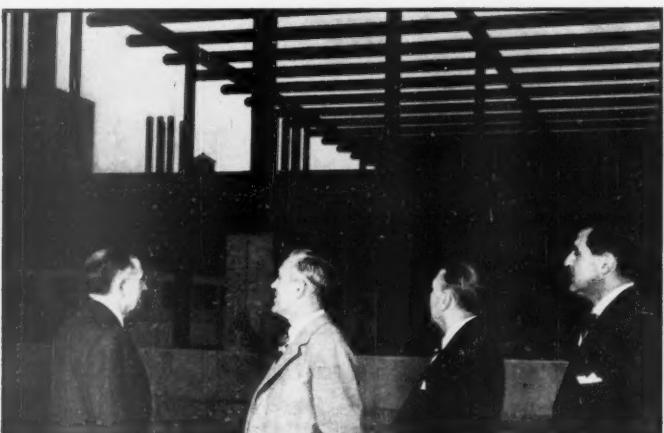
## 3M Chooses "Delegation of Authority"



**TOP BRASS** 3M's big three (left to right): president R. P. Carlton, board chairman W. L. McKnight, and executive-committee chairman A. G. Bush



**LINE** Bush (seated) and the V.P.'s (from left): L. F. Weyand (adhesives), J. C. Duke (abrasives), J. A. Borden (tape), G. H. Halpin (sales), B. S. Cross (sheeting)



**STAFF** McKnight (left) and his operating chiefs: C. B. Sampair (V.P. in charge of production), president Carlton, C. P. Pesek (V.P. in charge of engineering)

As direct result of its big diversification program, Minnesota Mining spreads topside management responsibility.

Which course would you take if you had to reshuffle the topside management setup of your company?

• **Choices**—William L. McKnight, the new board chairman of Minnesota Mining & Mfg. Co., says there are only two ways out: "Concentration of authority, or delegation of authority." And he adds, "we have chosen the latter."

His remarks sum up neatly the reorganization job finished last week by Minnesota Mining, maker of abrasives, Scotch-brand tapes, and adhesives. In this, others can find an interesting object lesson. For 3M's reorganization is simply tacit recognition of the fact that the company has grown too big for any one man to run.

The press releases on last week's meeting of 3M's directors in St. Paul merely stated these bare facts:

William L. McKnight, with 42 years' service (20 as president) was elected to the new post of board chairman.

Archibald G. Bush, who started with 3M in 1909, moved up from executive vice-president to chairman of the executive committee, also a new post.

Richard P. Carlton, another executive vice-president, was made president.

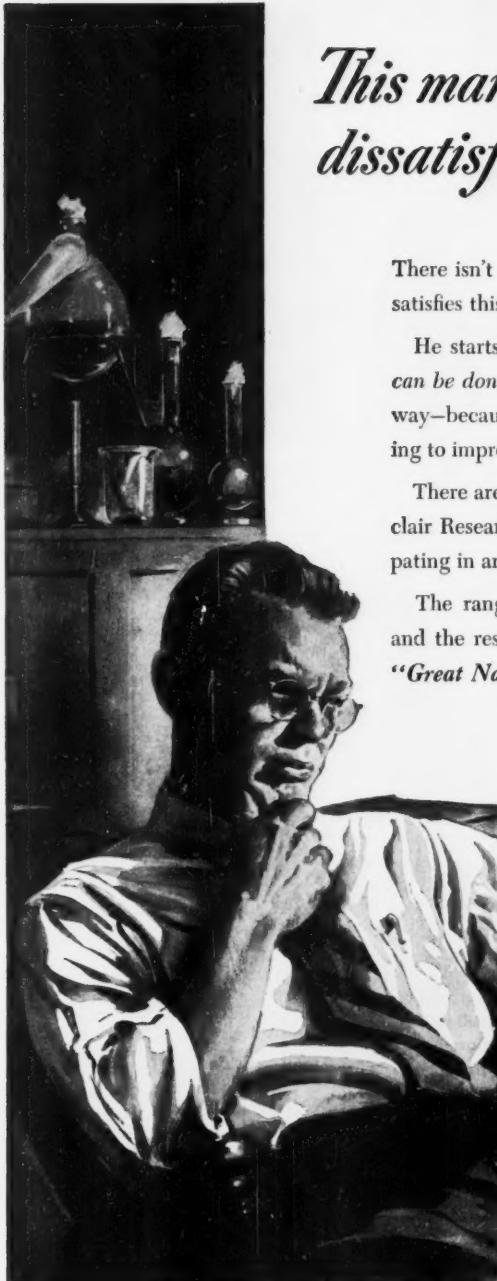
H. P. Buetow, treasurer, and G. H. Halpin, vice-president, were advanced to executive vice-presidents.

• **Program**—Those facts, of course, give no inkling of the reasons for the changes. Nor do they explain that the shifts were part of a program of managerial reorganization that began five years ago—a program that has completely altered the executive operations of 3M.

To understand it, you have to know something about the company, its operations, its executives, and its ownership.

• **History**—Minnesota Mining & Mfg. Co. got its start back in 1902. Its name came from its first project—to mine a corundum deposit on Lake Superior. But silicon carbide hit the market at about the same time—besides, the new corundum deposits weren't of very good quality. So 3M dropped mining, went into making sandpaper.

Early in its history, 3M's owners dis-



## *This man is paid to be dissatisfied with everything!*

There isn't a Sinclair product or a Sinclair process that satisfies this man—or ever will satisfy him.

He starts with the assumption that *whatever we do can be done better*. And it is his job to find that better way—because he is a Sinclair Scientist, constantly seeking to improve the old and develop the new.

There are some 200 Sinclair Scientists at the new Sinclair Research Laboratories in Harvey, Illinois, participating in an organized search into every phase of oil.

The range of their curiosity is boundless . . . . and the results of their curiosity help make Sinclair a "Great Name in Oil."

**SINCLAIR —**  
*A Great Name in Oil*

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FOURTEEN FOOT  
REACH  
ALL AROUND  
THE PUMP



YOU'LL see this beautiful, new pump in better service stations everywhere. It has been installed for your convenience by Your Friend, the Service Station Man. With the famous Horizontal Hose Reel, it speeds up the delivery of gasoline to your car. It assures accurate measurement and computation for your protection, and increases the efficiency of the operator. Wayne 100-A is a low model, yet the reel provides fourteen feet of hose ready to serve in any direction. If you are a station owner, write for bulletin today.

**Wayne**  
**GASOLINE PUMPS**  
AUTO HOISTS • AIR COMPRESSORS

THE WAYNE PUMP CO., 501 Tecumseh St., Fort Wayne 4, Ind.



for your protection



SCOTCHLITE reflecting tape shows up at night. It is stripped on like Scotch tape.

covered how to stay out in front of the competition: develop new products, and patent them. New product development requires research; so 3M is strong on research. As witness:

- Some 500 of its 8,000 or so employees are engaged in research. (There's a research man for every salesman.)
- Nearly 3% of the sales dollar goes to research.
- New president R. P. Carlton started in 1921 as a laboratory technician, still retains close supervision of research.
- Pay Off—This emphasis on product development has paid richly, especially in recent years. Sales of \$108-million in 1948 mark nearly an eight-fold increase in 10 years. Put another way, a \$11-million investment in research since 1933 has produced \$317-million in sales.

In the course of this expansion, 3M has occasionally found it necessary to acquire outside concerns. Thus it bought Inland Rubber Corp. back in 1941, when natural rubber was getting tight (many 3M adhesives use rubber in the mix).

More recently, 3M has been striving to develop a market for a product called Scotchlite (picture, above). It consists of tiny glass spheres glued to a plastic or fabric backing. The spheres reflect light, thus offer a beautiful method for night illumination of advertising signs and the like.

But advertisers weren't rushing to buy Scotchlite as fast as 3M wanted. So the company bought three outdoor advertising companies for \$4.5-million.

- Financing—Despite its spectacular growth, 3M was a tightly-held concern until 1945. In that year, liquidation of an estate forced public offering of some stock. In 1947 the company undertook its first public financing, selling \$10-



Photo by Dixon

"We'll keep these a long time, Mommy!"

OF COURSE, *everybody* likes this wonderful NEW MELMAC® dinnerware.

It is ideal for gay breakfasts, smart luncheons, bright dinners.

Its colors are soft, rich, permanent. Its finish and feel are like fine china—yet MELMAC dinnerware is surprisingly durable—light to lift and carry. And so safely and easily cleaned it almost makes dishwashing a pleasure!

MELMAC is one of several important molding compounds developed by American Cyanamid to help the plastic industry meet your needs with the *right* plastic for every purpose.

AMERICAN Cyanamid COMPANY

30 ROCKEFELLER PLAZA, NEW YORK 20, N. Y.



Materials for the Plastics Industry—  
one of the many industries served by Cyanamid

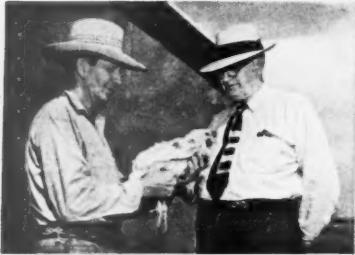
YOUNGBLOOD'S

# Smart idea!

It "hatched" him 50 poultry farms, a processing plant, a feed mill, 4 restaurants, 2 million chicks a year!

If you live in Texas or have visited there, you have probably tasted some of J. H. Youngblood's chicken. His restaurants in Waco, Dallas, and Austin are famous. This Ford Truck user's slogan, "We hatch 'em... grow 'em... prepare 'em... fry 'em," stands for some of the most tender, delicious, full-meated chicken you'll find!

He figured that in order to make money out of chickens, you have to control every step in production and marketing. And he did! Today, Youngblood's operation covers the entire Southwest... has grown to where he needs 20 Ford Trucks in his business.



"WE START with the hen that lays the egg." Youngblood (right) and one of his managers examine a New Hampshire-White Leghorn chick. 65,000 of these special crosses are hatched each week. And a carload of mixed feed comes from the company's mill every day to feed them!



YOUNGBLOOD'S

# Smart move!

He uses 20 Ford Bonus Built Trucks in his business... Smart Move!... Smart Business!

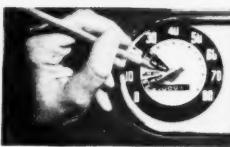


◀ "MY FLEET of 20 Ford Trucks gives me fast, reliable transportation," Youngblood (right) tells Ford Dealer Jack Kultgen. "But my special pride and joy is this 145-h.p. Big Job which delivers to almost every large city in Texas." "You've chosen the best, when you've chosen Ford," remarks Kultgen. "We've got over 150 models! Pickups and Stakebeds for your farm work! Big 39,000 lb. G.V.W. Fords for intercity hauling—all Bonus Built!"

"POWER BRAKING for the double cylinder rear brakes on the Ford F-7 multiplies shoe pressure more than 100 per cent. Even with that boost the driver doesn't lose the 'feel' of the brakes."



"YOU SAVE money with this Ford Shiftoguide speedometer. It tells your drivers exactly when to shift transmission gears for best get-away performance with the least number of engine revolutions."



YOUNGBLOOD'S

# Smart bet! FORD TRUCKS LAST LONGER!

Using latest registration data on  
6,106,000 trucks, life insurance experts prove Ford Trucks last longer!



NEW FILAMENT TAPE for heavy packaging is shown to president Carlton (seated) by E. L. Rzepecki (left) and Irving Danielson (right) of the tape laboratories.



LACELON kitchen curtains are inspected by Carlton. Display on table is part of special report on 3M's new plastic lace.

million in debentures and \$10-million in preferred.

Today its nine-man board of directors own or represent some 42% of the outstanding stock. (The rest is divided among 4,000-odd stockholders.) Seven board members are company officers; the other two are sons of early company backers and own or represent large stock interests.

Dominant in the company at least since 1929—and probably for an even longer time—has been William McKnight. Counting his wife's shares, he controls better than 13% of the company's common stock. During his years as chief executive, sales climbed from \$5.4-million to \$108-million.

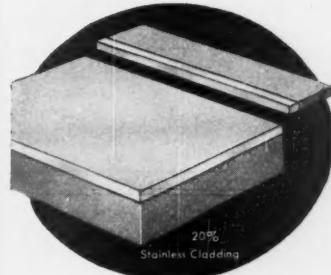
For years McKnight effectively kept 3M's operations in the palm of his hand. And no one can challenge the effectiveness of his leadership.

- Shift—But diversification finally forced a revamping of executive control; McKnight himself initiated the changes that were topped off at last week's directors' meeting.

The loosening of tight central control began back in 1936 when 3M shifted major production of adhesives and coatings to Detroit, a big customer. Car makers were buying masking tape for their paint departments, and adhesives for fastening upholstery to metal bodies.

McKnight recognized the inevitable:

**Get the facts about  
PERMACLAD  
STAINLESS CLAD STEEL**



**AND SEE HOW MUCH  
YOU CAN SAVE**

You save money, improve your products and increase sales when you fabricate your products from PERMACLAD. It's an entirely new and different material with the surface characteristics of Stainless steel and the excellent forming qualities of Carbon steel.

**Corrosion Resistant! Easily Formed!**

It's corrosion resistant and has better ductility than other material of equal corrosion resistance. Shower stalls, deep freeze units, automotive trim, food and chemical vessels and many other products are now being made of PERMACLAD. Profit by getting the facts about PERMACLAD now. Write for free folder. Alan Wood Steel Company, Conshohocken, Pa., Dept. P-21.



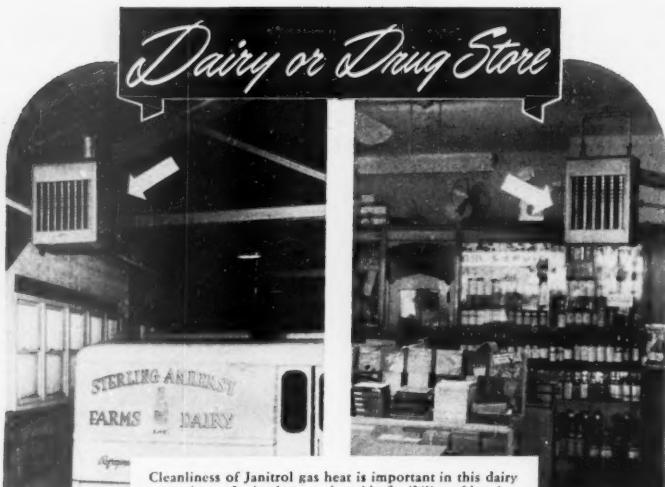
The finer the finish the finer the product  
USE

**PERMACLAD  
ALAN WOOD STEEL COMPANY**

Conshohocken, Pa.

*Other Products—*  
AW Algrip, Abrasive Floor  
Plate • AW Super-Diamond  
Floor Plate • Billets • Plates  
• Sheets (Alloy and Special  
Grades)





Cleanliness of Janitrol gas heat is important in this dairy operation. Janitrols meet the wide flexibility of heating requirements due to delivery trucks leaving and returning. Valuable floor space is saved in this compact drug store by use of suspended Janitrol Unit Heaters.

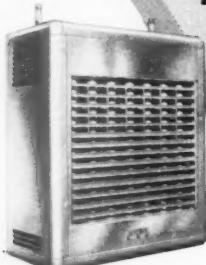
DECIDE  
ON

# Janitrol

GAS-FIRED

## UNIT HEATERS

FOR AUTOMATIC,  
LOW COST HEATING



Janitrol Unit Heaters equipped for natural, manufactured or LP-Gases, range in capacity from 50,000 to 450,000 B.t.u. per hour input ratings. Suspended and floor models, and types for filtered air pumping, complete line for every commercial and industrial heating requirement.

If you are building or enlarging your present plant...leasing a vacant store or modernizing your place of business...Janitrol Gas Unit Heating will bring you many benefits and in all probability save you important heating dollars.

Each Janitrol Unit Heater is a complete self-contained automatic gas-fired heating plant...delivers clean heat...fast...when you want it...where you want it. There's no waste of fuel and money from overheating or the transfer of heat through long distribution systems.

With 35 years experience in the gas equipment field, Surface Combustion has engineered more worthwhile design and operating features into the complete Janitrol line. Janitrol sells by comparison and is only installed by experienced, capable heating contractors.

Ask your Janitrol Dealer for free heating survey. You'll find him listed in the classified section of your phone directory.

**Janitrol** A PRODUCT OF  
**SURFACE COMBUSTION CORPORATION • TOLEDO 1, OHIO**

ALSO MANUFACTURERS OF SURFACE INDUSTRIAL FURNACES AND KATHABAR HUMIDITY CONTROL

to plant manager L. F. Weyand went instructions which said in effect: You're on your own.

The plan worked; in fact it worked so well that it was extended in April, 1948, to include virtually all activities of 3M.

• **Vertical Setup**—The basic organization at the managerial level, and the flow of authority and supervision, were established at that time. McKnight set up two executive vice-presidencies:

(1) Marketing and distribution were placed under direction of A. G. Bush, a veteran in sales, second to McKnight in seniority, and a large stockholder.

(2) Manufacturing, engineering, and research were made R. P. Carlton's responsibility.

These two men were given primary supervision over the eight product divisions under the company's new "vertical" organization. Heads of these divisions (vice-presidents in most cases) were made "responsible to staff management for profits and for all other normal business operations."

Staff officers—secretary, treasurer, vice-presidents for personnel administration, public relations—reported directly to McKnight.

The system worked well; but it had a few drawbacks:

Excessive responsibility still rested on the president's shoulders. He still was responsible for subsidiary companies, headed the executive and management committees, served as board chairman, in addition to his other duties. As a subordinate remarked, "Mr. McKnight still runs the company."

Too heavy loads were carried by the executive vice-presidents. It was necessary to free them from some staff and division duties. There was one other consideration, too—both McKnight and Bush were approaching the mandatory retirement age of 65. So it was time to begin thinking about successors.

• **Coaches**—For the next three years McKnight and Bush will "coach." They will concern themselves with matters of policy. McKnight, in addition, will head the important finance committee. He also has as his special charges Durex Abrasives Corp., 3M's export affiliate, and Inland Rubber, which has been running in the red for the past couple of years.

Under Bush, the executive committee is expected to take on added stature. He will make it an active operating committee. The committee, in addition to Bush and McKnight, is composed of the new president, the two new executive vice-presidents, and the secretary.

• **President**—Carlton's selection as president was a foregone conclusion. He was the youngest of the company's three top executives—56. He was a trained scientist in a business where science has played a leading role. And while he has



*Adjustable-Speeds*  
from A-c. Circuits

## *How to make sure* THE DRIVE YOU BUY TODAY ... will meet tomorrow's needs!



Conveniently-packaged, factory-wired V-S Drives are available from 1 to 200 hp. Two or more motors may be operated simultaneously from a single Control Unit.

The need for stepping up your operations in the future may require successively greater speed ranges; to settle for a drive limited to today's needs may be a costly saving. A Reliance engineer, consulted early in your deliberations, will study your present operations and consider your future plans.

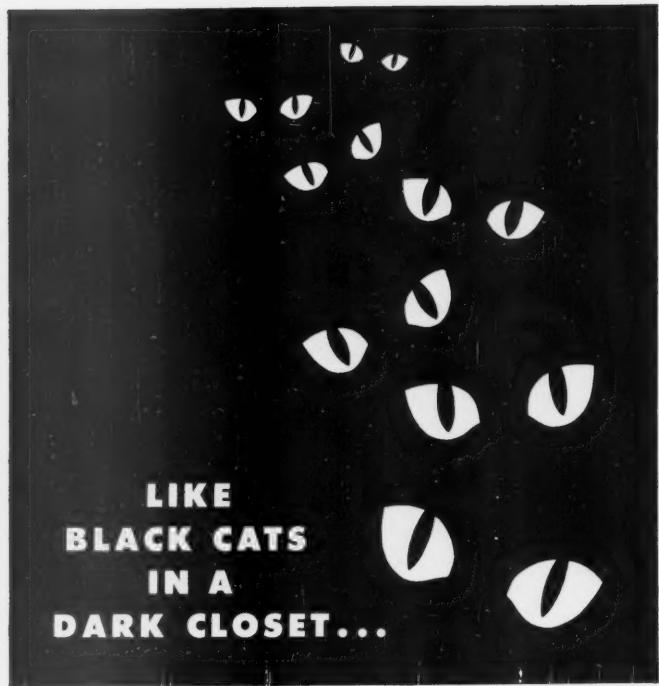
Every Reliance engineer is able to draw on a wealth of specialized "Know-how" gained in applying Reliance Drives in all types of operations in every industry for over 40 years. And to meet your present and future needs more precisely, he can provide Reliance V-S, the All-electric Adjustable-Speed Drive for A-c. Circuits, in either Rotating or Electronic systems or a combination of both. Call a Reliance application engineer when there's a drive problem to be solved, or write for Bulletin 311.

Sales Representatives in Principal Cities

**RELIANCE** ELECTRIC AND  
ENGINEERING CO.

"Motor-Drive is More Than Power"

1069 Ivanhoe Road • Cleveland 10, Ohio



...that important "WANTED IMMEDIATELY" paper can be exasperatingly elusive — just at the critical moment.

Costly business! ... playing hide-and-seek with needed letters, documents and business records. Time-consuming, nerve-racking, while progress halts. And absolutely needless!

For a mere fraction of the cost of such inefficiency a Globe-Wernicke Safeguard Filing System puts finding papers on a simple, fast, orderly basis. This is the filing system *anyone* can understand and operate. It turns up wanted papers in mere seconds. Even the "boss" can locate what he wants without taking lessons.



"FIND-I-TIS" is a helpful and authoritative booklet about filing. Ask your dealer for a copy or write us and we'll mail one to you, no charge. Please address Dept. B-9.



**Engineering Specialists in Office Equipment, Systems and Visible Records**

**GLOBE-WERNICKE**

Norwood—Cincinnati 12, Ohio

had little sales experience, he does show "a keen appreciation of sales possibilities and problems"—to quote McKnight.

Once chosen, Carlton was given authority to revamp subordinate executive personnel and management functions—always, of course, with the advice of McKnight and Bush, and subject to board and committee approval.

For his general staff he named five vice-presidents. Two of these carry the title of executive vice president: G. H. Halpin, heading up sales, and H. P. Buetow, directing financial and auxiliary departments (personnel, purchasing, traffic). The other three supervise the tasks for which Carlton himself formerly was directly responsible: engineering (now expanded to include company properties), research and new products development, and production. To fill the research job, L. A. Hatch was moved from his former post as head of a division; C. B. Sampair on production and C. P. Pesek continue in about the same work they had been doing, but they get enlarged authority.

As before, A. E. Eggert, public relations vice-president, and J. L. Connolly, secretary and counsel, report directly to the presidents.

Instead of retaining direct supervision over the subsidiary, Mid States Gummated Paper Co., as McKnight had done, Carlton placed it on an equal status with 3M's industrial divisions. So 3M now has nine such divisions (10 if Inland Rubber is included).

- "Little Companies"—Each staff vice-president works with the division heads in matters concerning his particular field of authority. But as before, divisions are, in effect, "little companies" linked together by common ownership, interests, and top policy supervision.

One division deserves specific mention; it's called Central Manufacturing. Into this go various products or lines which have not achieved sufficient importance to be assigned full division status. An example: A product with good sales prospects is Lacelon, a lace-like ribbon composed of plastic filaments. Florists are buying it for decorating bouquets and corsages (water doesn't affect it); it holds possibilities as a decorative material for milliners, for gift wrapping. But until its market potentialities are tested, Lacelon will be handled by 3M's Central Manufacturing Division.

- Capacity—No matter what happens to Lacelon and other 3M projects, McKnight figures that his company can handle them under its new setup. "We are really set up for diversification," he says. "As we are organized, we could handle 20 divisions just as well as 10."

And if new products keep flowing out of 3M's research laboratories as rapidly as in the past, there may well be 20 divisions one fine day.



## There is no shortage of good coking coals on the Baltimore & Ohio

To steel men looking for better coking bituminous, we recommend coals mined on the Baltimore & Ohio. *We know these coals.* They are low in sulphur and ash, and excel in other characteristics needed for efficient coking.

Not only is there an abundant present supply of coking coals on the B & O, but

because of developing fields, B & O's reserves are increasing. B & O bituminous answers the need of blending for better coke and offers both accessibility and long-range availability. *Ask our man!*

### BITUMINOUS COALS FOR EVERY PURPOSE

—from  
modern mines  
like this →



## BALTIMORE & OHIO RAILROAD

Constantly doing things — better!

**WE'VE GOT TO BRING  
OUR COSTS DOWN**

**YES, BUT WE ALSO  
HAVE TO STEP UP  
OUR SELLING!**



## BETTER PACKAGING

**may solve BOTH problems**

If you're after sales-building ideas or a way to reduce costs, take a fresh look at your package.

As builders of the most widely used and most versatile line of packaging machinery, we have learned a lot about packaging improvement. We know the types of packages that have the greatest consumer appeal...The materials to use for eye-catching effect and utmost protection to the product...And the production set-up that will insure lowest cost.

Why not benefit by this fund of knowledge? Put your problem up to "PACKAGE".



Write for our folder  
"Packages that Sell"

**PACKAGE  
MACHINERY COMPANY**

SPRINGFIELD 7, MASSACHUSETTS

NEW YORK  
DENVER

CHICAGO  
LOS ANGELES

BOSTON  
SAN FRANCISCO

CLEVELAND  
SEATTLE

ATLANTA  
TORONTO

DALLAS  
MEXICO, D.F.

## BUSINESS BRIEFS

**Chicago's population** now totals about 3.6-million, up some 7% from 1940. Meanwhile, the whole metropolitan area has increased 12%-to about 5.3-million. These are the estimates made by the University of Chicago and the Census Bureau after a sample preview of the 1950 census.

**Blue Cross plans** for hospital care protect more than 22% of the people in the U.S. Rhode Island has the highest figure: 71%. All told, 34.5-million (including Canada) are covered.

**File and forget** the voluntary steel allocation program (BW-Jan.1'49,p22). It will expire at the end of the month.

**A deferred payment plan** has been launched by E. W. Bliss Co. Customers can pay 25% down on machinery, take up to three years on the rest at a cost of 6% on the unpaid balance.

**The Schott family** of Cincinnati (BW-Apr.3'48,p23) has acquired another enterprise—Cleveland's 44-year old P. A. Geier Co. Last year Geier sold about \$14-million worth of its own (Royal) and private-brand vacuum cleaners. The Schotts paid some \$3.5-million for their new property.

**Summer excursions** to Latin America via Pan American Airways will be extended to autumn. The 30%-off, 60-day offer worked so well that Pan Am is keeping it through November.

**Chrysler's station wagon**—its first since 1941—will go on the market this month. Factory list price is \$2,968.

**Orders for Douglas fir** lumber in August were the highest in a year. The West Coast Lumbermen's Assn. puts the weekly average at 182.7-million board feet—a gain of more than 20% over the July average.

**Winner of the 1949 Chemical Engineering Achievement Award** (McGraw-Hill) is Celanese Corp. of America. Celanese won because of its postwar developments in textiles, chemicals, plastics.

**Macy's**, New York department store, and DuMont, TV set manufacturer, are through feuding. A few weeks ago DuMont jerked Macy's franchise because of price-cutting (BW-Sep. 10'49, p76). Last week DuMont had a change of heart, let Macy's into the fold again.



## It's open season on general managers

...Too many are being winged or worse in the swamp of inventory.

That's where the besieged General Manager runs into the cross-fire of moving price levels, carrying-cost and sales-service demands.

That's where McBee Keysort cuts casualties by telling him daily...at less cost than any other method:

1. What is and *isn't* being sold.
2. What is on hand...and how long it's been there.
3. What must be bought or made...and when.

*The Sales Manager* can't plan sales strategy soundly unless orders are coordinated with an inventory kept in proper ratio to other assets. Keysort tells him *what* to push *where*; tells management *when* and *how* to keep inventory in balance.

*The General Manager* is out on a limb if loose production planning ties up too much capital in materials, work-in-process, finished goods. McBee Keysort enables him to adjust purchases and production orders daily to keep inventory risks

at a working minimum.

Business can't afford inventory gambles today. But any business can afford one of McBee's simple, flexible, inexpensive methods of controlling inventory — methods that are helping executives sleep better at night and look younger than their years.

That's why McBee sales have multiplied *sixfold* in just a short time.

There's a McBee man near you. Ask him to drop in. Or write us.



*This is the magic McBee Keysort card.*

With your present personnel, without costly installations, McBee Keysort provides you with accurate and useful management controls at less cost than any other system. When notched, the pre-coded holes along the edges make this card mechanically articulate. They make it easy to collect a wealth of data...classify it...file it...find it...use it...quickly and accurately.

# THE MC BEE COMPANY



Sole Manufacturer of Keysort — The Marginally Punched Card  
295 Madison Avenue, New York 17, N. Y. Offices in principal cities.



## MAIN STREET

**F**OR a multi-story skyscraper like the Tishman Building in New York . . . or a single-story structure like the Lutheran Insurance Building in Waverly, Iowa . . . Dunham Vari-Vac<sup>\*</sup> Heating permits fuel costs to be reduced as much as 40%.

Such substantial savings are possible because this Dunham system automatically provides the precise amount of heat you need. This is accomplished by utilizing a continuous flow of steam at temperatures that vary with the weather.

Dunham engineers recently perfected methods of job-scaling Vari-Vac to fit any size or type of building . . . regardless of climatic conditions. Seven different systems are available.

For further information, write for Bulletin 509. C. A. Dunham Co., 400 W. Madison St., Chicago 6, Ill. In Canada: C. A. Dunham Co., Ltd., Toronto. In England: C. A. Dunham Co., Ltd., London.

\*Variable vacuum

**DUNHAM**  
**DIFFERENTIAL HEATING**  
cuts fuel costs  
up to 40%

**DUNHAM**

HEATING MEANS BETTER HEATING

# MARKETING



DOW CHEMICAL DISPLAY of plastics products at Bamberger's is aimed at . . .

## Selling Customers' Customers

Makers of raw materials can boost sales of their product by actively promoting end products made from it, and by helping customers make better end products. Plastics makers are doing it.

If you make raw materials, you're pretty much at the mercy of the companies that process, fabricate, and merchandise the end products made from your material. If they do a good job of making and selling their products, your products will do well. But if they neglect their markets or cheapen their products, your business will suffer, through no fault of yours, along with theirs.

At first glance, it appears that this is a process over which you have no control. But actually, there is something you can do: You can provide your manufacturing customers with enough production and marketing know-how to make certain (1) that they use your raw material properly in their products, and (2) that they channel those products aggressively into the proper markets.

• **Dow Display**—That's a lesson that the makers of plastics have learned from bitter experience. The picture above, taken last week at Bamberger's, Newark (N. J.) department store, shows how thoroughly they have learned it.

Bamberger's, at the urging of Dow Chemical Co., is staging a big promotion of plastic products. Dow pro-

vided equipment for mass display of the colorful plastics; it also sent along some Dow people already well familiar with the problems and techniques of selling the products made by Dow customers.

• **Extended**—The store is well pleased with the results of the promotion. The event was originally scheduled to last two weeks; it has been extended to four weeks. And Bamberger's is seriously thinking about having a plastics department all-year-around similar to the one Dow set up for the special sales campaign.

Dow, of course, isn't the only company that is exerting itself to make business profitable for its customers—and for itself. Other raw-plastics producers have campaigns, too, varying in intensity and ingenuity, to keep store cash registers ringing up plastics sales. Examining the plans of just a handful of these companies will give a cross-section view of what the industry as a whole is doing.

• **Problem**—In large part, the plastics problem which the raw-materials producers are trying to lick stems from the

# MOLDED COLOR TALKS...

... and you can hear it at the cash register!

Hail to the new Kings! Hail Mr. and Mrs. Buyer, of Buyer's Market, today. And let's be sure to say it with color! The rich and striking beauty of Plaskon Molded Color talks their language so well...attracts...influences...sells. Here is permanent, non-fading color...solid color through and through. Here is a wide range, softest pastel to jet black—in thermosetting plastic compounds easy to mold into products of high strength, high electrical insulating qualities, high resistance to water, solvents, greases. May we send you further facts?



**PLASKON**  
**MOLDED COLOR**

PLASKON DIVISION • LIBBEY-OWENS-FORD GLASS CO. • 2119 SYLVAN AVE. • TOLEDO 6, OHIO • CANADIAN AGENT: CANADIAN INDUSTRIES, LTD.,  
MONTREAL, P. Q. • MANUFACTURERS OF UREA, MELAMINE AND ALKYD PLASTIC MOLDING COMPOUNDS, RESIN GLUES AND COATING RESINS

# New GOULD "Z" Plate-

THE ONLY PLATE  
WITH THE  
SOLID, NON-POROUS GRID

Gould research engineers have developed a revolutionary new plate containing the only grid in existence that is non-porous and completely solid all the way through.

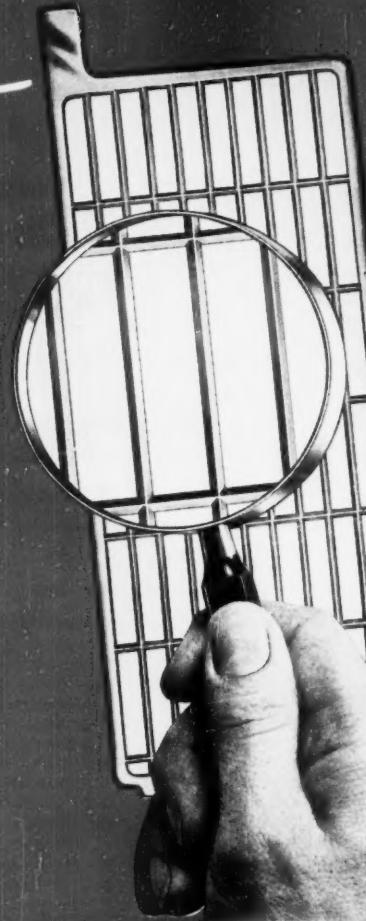
This new, non-porous "Z" grid is the result of "Progressive Solidification"—a new, advanced casting technique developed and perfected by the Gould Research Laboratory and proved in Gould's own pilot plant.

"Progressive Solidification" casting brings you more ton-miles . . . more months of full capacity . . . more for your battery dollar than ever before.

Ask for literature on how Gould's new casting developments make Gould Batteries Stay New, Longer.



The Gould "Thirty".  
More than ever—America's  
finest Industrial Truck Battery.



**GOULD**  
STORAGE BATTERY  
CORPORATION

TRENTON 7, NEW JERSEY

Always Use Gould Automobile and Truck Batteries

fact that making plastic consumer goods has been a popular and easy business to get into. Many people, looking for businesses of their own after the war, bought molding machines, set them up in their garages or toolsheds, and started looking around for a product to produce.

One easy way to get product ideas is to go to the local dime store and see what products are on display. Then, having found, say, a plastic box that doesn't look too difficult to mold, the new manufacturer buys one and starts figuring a way to make it. In order to sell it, of course, the molder usually figures he had better sell it for less money than the one the dime store already carries. The original manufacturer, however, may already have scaled his margin as narrowly as he can.

• **Inferior Product**—That makes it tough for the new molder. His solution frequently is to make the walls of his plastic box a tiny fraction thinner than the walls of the original. That uses less molding powder per unit and therefore costs less. And since his plastics knowledge may be very slight, he buys the cheapest molding powder he can get. Frequently it's one completely unsuited to the job he wants to do.

Then a third manufacturer decides to get into the plastic-box business. He's faced with the same problem that manufacturer No. 2 was up against. So he solves the problem in the same way—by cheapening his product still more.

• **Public Reaction**—After a while, the public begins to find that plastic boxes aren't very sturdy; they warp, break, or lose their shape because the walls are too thin and the molder hasn't used the right molding powder. So they decide plastics aren't here to stay, and buy a tin box instead. And the plastics market—for the store, the molders, and the raw-materials manufacturers—shrinks.

There's another factor working against the molder, too. Since he is a small unit, possibly even a one-man operation, he may not have the knowledge or resources to promote his products aggressively.

• **Varied Techniques**—That's the point at which the raw-materials companies have stepped into the merchandising picture. By means of magazine advertising, store promotions, and direct mail, they are campaigning actively to expand the consumer market for plastic products.

In addition, some of them are trying to get molders to observe certain minimum standards of quality; others are thinking up product ideas themselves, designing and developing salable products, then turning the plans over to molders without charge.

• **Intermediate Consumer**—Not all the raw-materials manufacturers, of course, have identical problems; for that reason, they can't all approach the problem in

the same way. Plaskon Division of Libbey-Owens-Ford, for instance, gets to the consumer market mainly as a part of another larger product—as a set of buttons on a dress, for instance. And women don't usually buy dresses for the buttons on them.

One of Plaskon's jobs, therefore, is to advise its customers how to merchandise their products—not to the public, but to the garment trade. The company does this by consulting with the molder himself and his ad agency, and by making up promotional literature for him.

• **Ultimate Consumer**—National advertising featuring consumer and industrial products made by the customers of the raw-materials maker is a popular form of plastics promotion. The ads, of course, also point out who makes the molding powder, and the fact that it's probably the best molding powder in the world for that particular use. Dow, Koppers Co., and Monsanto Chemical Co. are three examples of companies that use this type of advertising.

• **New-Product Development**—Hercules Powder Co. has an unusual program. The company is actively engaged in developing new products that molders can make profitably. In order to generate ideas and translate them into finished products, Hercules hired Sundberg-Ferar, an industrial-design firm with experience in the plastics industry. Sundberg-Ferar drew up sketches of possible applications for plastics in the electrical-appliance industry. From these, Hercules selected those applications which seemed to be sound uses of its materials.

These new designs, together with samples of already-successful applications of Hercules' raw materials to other products, were gathered together into a promotion piece. The company sent this to a large group of molders and designers, and delivered copies personally to engineering and sales personnel of 120 electrical-appliance manufacturers. Now, says Hercules, every one of these new-product suggestions has been or is in the process of being turned into finished products. That helps sales all along the line—for the appliance makers, for the molders, and for Hercules.

For interested molders, Hercules will carry the development and design job right up to the point of making a model of the finished product. It doesn't cost the molder anything. If he wants a model built, however, he pays that cost.

• **Tests**—Product evaluation is an important part of Dow's extensive marketing program. Any molder or manufacturer using Dow's Styron can send a sample of his product to the company's technical-evaluation committee at the home office in Midland, Mich.

The committee then puts the product through a series of tests. These evaluate the products from the stand-



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reports more  
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**WILL** get reports  
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faster...

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record-keeping  
costs



100 pages packed with color illustrations  
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Get your copy from a NATIONAL Stationer...or clip a dollar bill to the coupon  
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HOLYOKE, MASSACHUSETTS

**NATIONAL BLANK BOOK COMPANY**

**HOLYOKE, MASS. B1**

My dollar enclosed.

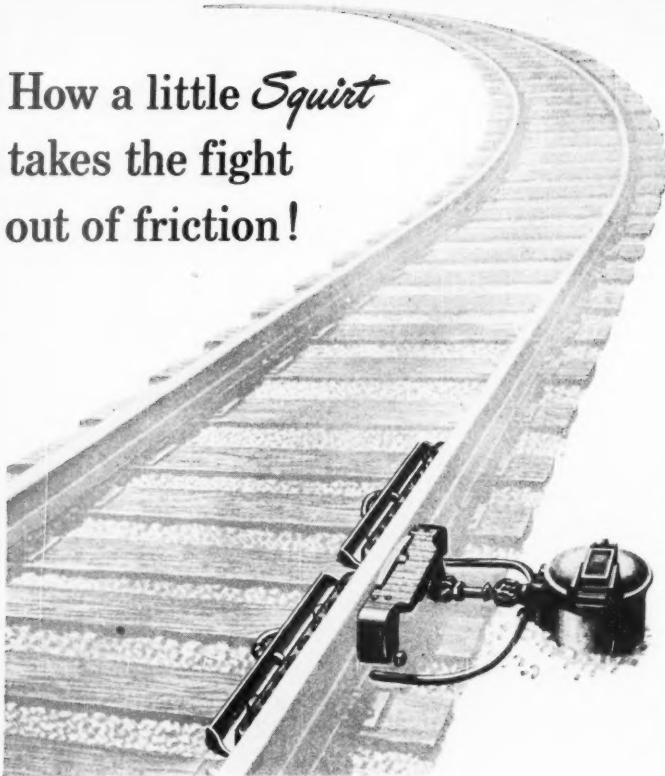
Name .....

Company .....

Street .....

City & State .....

# How a little *Squirt* takes the fight out of friction!



Pulling a train around a curve takes extra locomotive power due to the friction of the wheels against the rails.

But another, and more serious, effect of this friction was the way steel wheel flanges *ground off* the rail head, making it necessary to replace the rail on sharp curves every few years.

So railroad research engineers developed an ingenious "flange-lubricator" which is installed on curves. As the train approaches the curve, the car wheels come in contact with a tripper bar which automatically squirts a measured amount of lubricant against the flanges. Friction is reduced to a minimum...the locomotive load is lessened...and the outside rails on curves wear two or three times longer.

Finding new ways to make *every* detail of railroad operation more efficient calls for continuous research on hundreds of projects. It's typical of

how American railroads are constantly on the alert to cut the cost and to improve the service of the nation's most economical transportation system.

To keep improving America's railroad transportation network means constant investment, both in developing new and better ways of railroad operation and in the actual installation of research-proved innovations. And because the railroads have always given the "green light" to continuing improvement, the American people increasingly benefit from the thriftest mass transportation in the world.

**ASSOCIATION OF  
AMERICAN  
RAILROADS**  
WASHINGTON 6, D. C.



**Listen to THE RAILROAD HOUR**  
Every Monday evening over the ABC Network.



point of basic design, molding techniques, comparison with other plastic and nonplastic materials, and resistance to potential service hazards. Dow doesn't try, however, to evaluate the products from an aesthetic or sales point of view.

The samples also go to a consumer panel, which uses them under actual working conditions. The findings of this panel and of the evaluation committee are then sent, in a confidential report, to the molder. If the product meets the committee's standards, Dow gives the molder permission to attach a label to it, saying "Made of Styron." In addition, Dow may include the product and the name of the maker in the promotion pieces which it sends out to buyers in department stores and other retail outlets throughout the country which carry plastics.

Dow has also been staging department-store, specialty-store and variety-store promotions similar to the current one at Bamberger's.

• **Association**—The industry's trade association, too, is trying to educate consumers to accept plastics and to use them properly. This association of molders and material makers, called the Society of the Plastics Industry, has been pushing an informative-labeling program for more than two years. Its object is to induce manufacturers to put labels on their merchandise telling exactly what the product will and will not do.

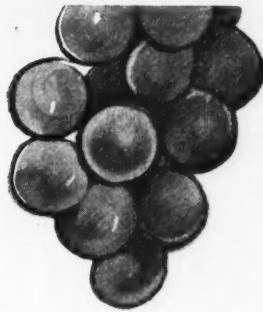
## AYER FALLS IN STEP

Most advertising agencies make their money in two ways: (1) on publication space or radio time bought for the client, they collect 15% of the total cost direct from the publication or radio station; (2) on certain production costs, they collect direct from the client—usually 15%, although it varies from agency to agency.

Philadelphia's 80-year-old N. W. Ayer & Son has always been an exception. It has figured the total net cost (space or time less the discount, plus production cost), and collected a flat 16½% of that direct from the client. So Ayer has been slightly cheaper than other agencies for buying space or time; slightly more expensive than most agencies on production cost.

Now, however, the old order has changed. From now on, Ayer's clients will be charged the regular rates—15% and 15%.

Television brought about the change-over, mainly. TV production costs, says Ayer, are often a very large part of total costs. Adding 16½% to those costs as an agency commission might mean that the client was paying more for Ayer's services than competing agencies are charging.



**Monroe solves your figuring and accounting problems... a model to meet every need!**



**Monroe CALCULATING Machine**

**FULLY AUTOMATIC!** Star performer saves time, effort. Sturdy construction, long, trouble-free service. "Velvet Touch"® operation. Huge appetite for figures!



**Monroe ADDING Machine**

**TOP VALUE!** New 8 column with direct subtraction. Budget priced. "Velvet Touch"® keyboard. Engineered to increase figure production, lessen fatigue.

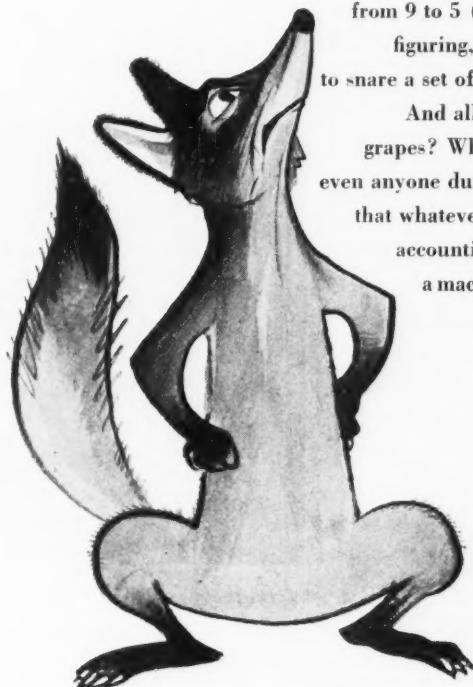


**Monroe ACCOUNTING Machine**

**VERSATILE!** Simple, fast, efficient! Like all Monroes, its "Velvet Touch"® is one reason why operators who know prefer Monroe.

\*"VELVET TOUCH" originated in 1935 to describe Monroe's matchless ease of operation.

**Every Monroe is sold only through Monroe-owned branches; serviced by Monroe's factory-trained organization.**



# MONROE

MACHINES FOR BUSINESS

Monroe Calculating Machine Company, Inc., General Offices, Orange, N.J.



## No power plant too big . . . no lifting job too small!

"Shaw-Box" cranes lift the largest turbines and generators ever built—or will lift bigger ones that may be developed. The first multi-motored overhead electric traveling crane ever available to industry originated with "Shaw-Box."

Since then, many of the great improvements, now standard in most cranes, came from the brains of our engineers and the hands of our skilled workmen—all the advantages of "Shaw-Box" engineering, precision manufacturing methods and basic sturdiness of construction.

So whether you need a mammoth crane or a small electric or hand-operated crane or hoist, how wise to select from the products of this organization with such a wealth of lifting knowledge and experience!

Right now we are building two 100 ton; one 150 ton; one 225 ton; one 250 ton and one 290 ton "Shaw-Box" cranes for six important power companies in America.

If you have requirements now or in the future for cranes of any size, write for Catalog No. 217 on "Shaw-Box" Full Electric Traveling Cranes from 5 tons upward; and Catalog No. 213C for "Load Lifter" Cranes of from 1 to 25 tons.



## SHAW-BOX Cranes

MANNING, MAXWELL & MOORE, INC. • MUSKEGON, MICHIGAN

Builders of "Shaw-Box" Cranes, "Budgit" and "Load Lifter" Hoists and other lifting specialties. Makers of "Ashcroft" Gauges, "Hancock" Valves, "Consolidated" Safety and Relief Valves, "American" Industrial and "Microuen" Electrical Instruments.

## MARKETING BRIEFS

**Retail prices** of department-store merchandise have dropped for 10 successive months, an index compiled by Fairchild Publications shows. A year ago the index stood at 141.7; now it's 137.3 (1935-39 is the base period).

**Newest media lure** for advertisers: guaranteed results. Coronet Magazine's proposition: run identical four-color ads asking for mail orders in Coronet and one of four other big national magazines. If the Coronet ad doesn't produce more sales per dollar of cost, you get your money back.

**Sales and profits** are up for Brooklyn's Abraham & Straus—contrary to the general department store trend. A&S. sold \$66.6-million of goods during the fiscal year ended July 31, 1949, netted \$2.7-million profit. Sales for the year before were \$66.1-million, profits \$2.2-million.

**Philco's TV sales** have reached "record levels" during recent weeks, says William Balderston, president. Opening of a new \$1-million TV receiver plant in Sandusky, Ohio, last week means that Philco can now turn out 18,000 units a week.



### Advisory Chief

George S. Jones, Jr., vice-president and assistant to the president of Servel, Inc., is the new chairman of the National Distribution Council—the official advisory body to the Dept. of Commerce on selling, marketing, and distribution. He succeeds L. A. McQueen, vice-president of General Tire & Rubber Co., who becomes chairman of N.D.C.'s executive committee.

# NEW! SUNICUT 812W and 817W

**DUAL-PURPOSE CUTTING OILS FOR  
AUTOMATIC SCREW MACHINE WORK**

THE NEW Sunicut grades have been thoroughly "Job Proved." Superlative results have been obtained on automatics machining all types of steel and brass at all practical speeds and feeds. These oils serve both as lubricant and cutting fluid. Their use eliminates the problem of cutting oil dilution. They are transparent, non-emulsifying oils compounded with Sun's revolutionary, all-petroleum additive, Petrofac. For further information, fill in and mail the coupon.

**SUNICUT 812W** is recommended for superior performance on high speed, multiple spindle automatics machining low-carbon steels, alloy steels and brass.

**SUNICUT 817W** is a higher viscosity oil for use on larger automatics machining all types of steel and brass. It is recommended for severe operations where heavier cuts are taken and higher temperatures maintained.

**SUN OIL COMPANY • Philadelphia 3, Pa.**

In Canada: Sun Oil Company, Ltd.  
Toronto and Montreal

**SUN PETROLEUM PRODUCTS**  
"JOB PROVED" IN EVERY INDUSTRY



Sun Oil Company, Dept. BW-9  
Philadelphia 3, Pa.

Please send me your informative booklet describing the excellent results being obtained in automatic screw machine work with Sunicut 812W and 817W.

Name \_\_\_\_\_

Title \_\_\_\_\_

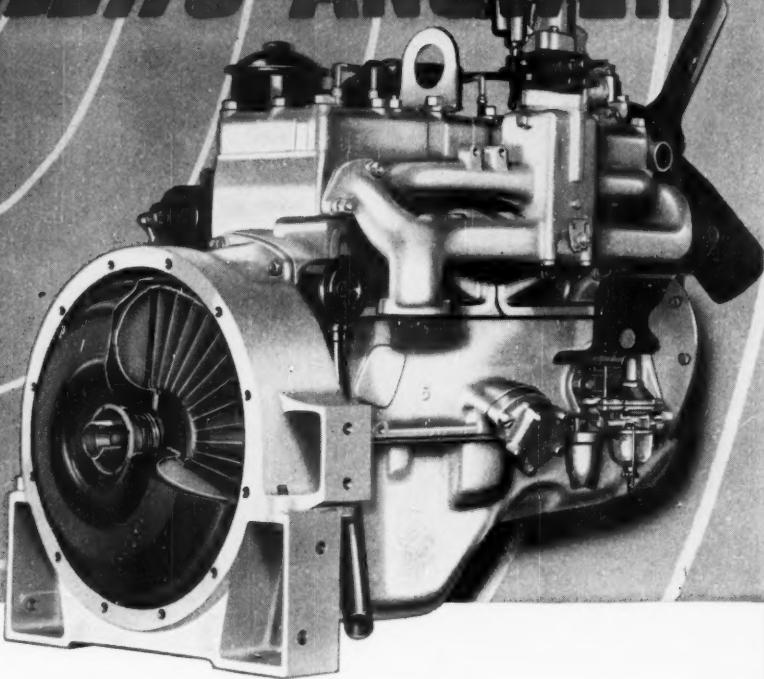
Company \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ Zone \_\_\_\_\_ State \_\_\_\_\_

# *gyrol* Fluid Drive! CHRYSLER'S ANSWER

to improved  
operation of  
over 50 types  
of gasoline  
powered  
equipment!



Do you build or operate any of this equipment? Air Compressors • Airport Tractors • Bull Dozers • Carriers • Combines • Construction Hoists • Corn Pickers • Cranes • Ditchers • Earth Drills • Earth Moving Equipment • Farm Tractors • Forage Harvesters • Industrial Tractors • Industrial Hoists • Irrigation Pumps • Logging Donkeys • Materials Handling Equipment • Mining Hoists • Oil Pump Jacks • Oil and Water Drills • Oil Well Cementing Equipment • Road Graders • Road Rollers • Rock Drills • Saw Mills • Shop Lift Trucks • Shop Mules • Shovels • Sprayers • Sweepers • Tractor Shovels • Truck Mixers • Yards.

Think what a Gyrol Fluid Coupling between power and load would do in improving the operation of your equipment!

You can have it now on most Chrysler Industrial Engines at almost unbelievably little added cost. Actually for only a few dollars more than the conventional flywheel which it replaces! The same mass-produced Fluid Coupling proved on more than a million Chrysler, DeSoto and Dodge passenger cars and trucks over a period of 11 years.

Super-smooth power flow in gyrol Fluid Coupling gives better performance and better handling. It reduces maintenance costs and down time. It assures longer life for your equipment. It offers a host of special advantages for special operating conditions.

It will pay you well to investigate now. See your Chrysler Industrial Engine Dealer or write us. Parts and service quickly available everywhere. *Industrial Engine Division, Chrysler Corporation, Detroit 31, Michigan.*

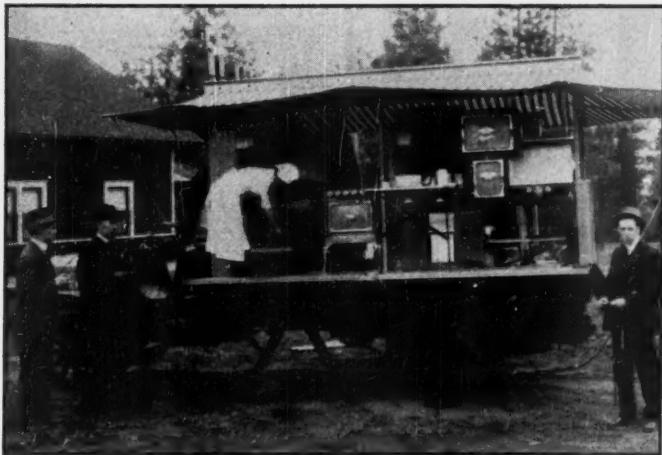
## CHRYSLER Industrial Engines and Power Units



HORSEPOWER

WITH A PEDIGREE

## PICTURE REPORT



34 YEARS AGO electricity on the farm was a new idea when the Washington Water Power Co. sent this mobile electric kitchen through the Pacific Northwest farm country.



TODAY streamlined demonstration kitchens, like this one in Spokane, promote the use of electric power. Even though the farmer now drives to see them, it's still true that . . .

### Model Kitchens Sell Electricity

"Show it, and show it in use." That's an axiom one top-flight advertising executive recently prescribed for success in television advertising (BW-Jun.11 '49,p26).

Almost a half century before TV reached adolescence, however, the Washington Water Power Co. was following the same rule. W.W.P. merely wanted to encourage farmers to install electric equipment on their farms—and buy some kilowatt hours from the power company.

The farmers bought plenty—enough to boost the percentage of electrified

farms in the W.W.P. area 25 percent-age points above the U.S. average of 68.6%.

Although some 94% of Washington and Idaho farms are now electrified, W.W.P. still demonstrates aggressively to promote the use of electricity. In addition, the company helps finance research into new farm uses for electric power. Projects in the works currently include bactericidal lamps to control mold on cheese, electronic interrupters for electric fence control, and techniques for high-speed drying of hay, beans, and other farm crops.

# MOSINEE

*"More than Paper"*



Do you have a processing or fabricating process involving paper? Does your product require some specific characteristic in paper—perhaps unusual strength, dependable uniformity, resistance to heat, moisture or acids?

True, there are thousands of tons of paper available, but MOSINEE—"more than paper"—is produced only in limited quantity to meet the most exacting requirements.

MOSINEE "paperologists" are available to help you. Write Dept. BW—no obligation to you, of course.

**MOSINEE PAPER MILLS CO.  
MOSINEE, WISCONSIN**  
*Essential Paper Manufacturers*

## TRY THIS

## IT'S EASIER

## AND FASTER

This form of reading  
is called Square Span.  
Square Span is supposed  
to make your reading easier  
brings the same results  
Square Span is an experiment,

handling situations.  
increased production  
And another

cut unloading costs  
In the first year,

cut payroll costs

Wherever Rapistan

has been installed

chances are you can

your profits

a SINGLE SECTION

MULTIFLOOR SYSTEM.

and substantial.

can work for you . . .

Because your eye grasps units and faster. Rapistan in handling materials — but Rapistan equipment

The Floor-Veyors shown in this ad

150.3% per man hour!

Rapistan conveyor installation

from \$17.10 to \$1.90 per car!

a single Rapistan power belt

more than 10 times its price!

Material Flow Equipment

immediate savings have been realized.

cut payroll costs . . .

by installing Rapistan conveyors.

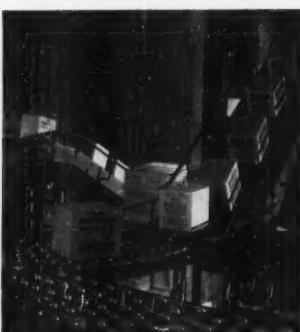
for fast truck loading,

The cost is low . . .

To get the facts

whatever your business . . .

more easily than single words, Material Flow Equipment important difference: proved in all kinds of



If you are now using manpower to move materials, do the job faster . . . and increase You choose exactly what you need: between-floors or a POWER BELT, delivery is prompt . . . your savings are immediate on how Rapistan Material Flow Equipment just fill out the coupon below! There's no obligation.

**The RAPIDS-STANDARD CO., Inc., 34 Rapistan Bldg., Grand Rapids 2, Mich.**

Manufacturers of

# Rapistan\*

## MATERIAL flow EQUIPMENT

Send me your free booklet RAPISTAN MATERIAL FLOW AT WORK!

NAME \_\_\_\_\_

FIRM \_\_\_\_\_

STREET \_\_\_\_\_

CITY \_\_\_\_\_

ZONE \_\_\_\_\_ STATE \_\_\_\_\_

\*T.M.



CONVEYORS: POWER OR GRAVITY • PORTABLE OR STATIONARY

## Cheaper Liquor

Arrival of four-year old stocks, drop in consumption of liquor, force distillers to cut prices of bonded bourbon.

Fanciers of expensive bottled-in-bond bourbons are getting a pleasant surprise. The trend towards lower bourbon prices has started earlier than they had hoped.

• **Price Cuts**—Last week Brown-Forman Distillers Corp. knocked 78¢ off the price of its Old Forester bottled-in-bond bourbon, effective Nov. 1. In New York that will bring the price down from \$6.90 to \$6.12 a fifth.

Brown-Forman's move followed close on the heels of a similar price cut by Glenmore Distilleries Co. After Oct. 1, its Kentucky Tavern bonded bourbon will sell for \$1 less, bringing the New York price down to \$5.94.

Earlier, Pucker Industries, Inc., in a little-publicized move, cut \$1 off the price of its Old Hickory and Charter Oak bonded bourbons; that put their prices below \$5 a fifth.

• **Timing**—What really surprised the trade was not the cuts, but their timing. It had figured that the drop in the prices of the more expensive bourbons would come through about the first of next year.

There are some good reasons why the trade has been looking for lower prices (BW-Mar.26'49,p80), namely: (1) the lowered consumption of all liquors, despite the fact that there has been a slight picking-up lately, and (2) the arrival of new postwar four-year old stocks of bourbon and whiskies.

• **Competition**—The maturing four-year old straight whiskies have already been giving a competitive jolt to the more expensive bottled-in-bond bourbons. Early this year, Pucker brought out two new four-year old straights at prices that could even compete with the better spirit blends. And Brown-Forman has sliced 50¢ to 65¢ off the price of three of its four-year-old straights; they now cost just over \$5.

There's been another factor at work. The age of most bonded bourbons has dropped from six and seven years to four years—without any drop in prices. This hasn't helped the sales of the \$7 brands on the market.

Despite the price cuts, other distillers—National Distillers and Straight Whisky Distilling among them—say they don't intend to cut prices on their bonded brands.

Even so, the trade figures that price cuts will be pretty general this winter, when these holdouts begin to feel the loss of business to the price cutters.



## A Look at Costs

### THROUGH THE EYES OF THE MANAGEMENT ENGINEER

Controlling costs is a management job that never ends.

Nevertheless it is an executive function that does not always get prime attention. In World War II, for example, production was the dominant theme.

The early postwar years weren't too much different. It's true that Uncle Sam's importance as a buyer lost luster; but the government was pushed aside in the market place by millions of avid customers.

Times changed. The sellers' market went by the boards. Then, the first task of a business manager was to make a successful switch to selling goods as well as making them. The problem didn't stay that simple. Materials and labor costs had risen like express elevators.

That cost burden, plus the newly added selling expense, began to put a squeeze on profits in many industries.

The cost problem demanded management's urgent, immediate attention. But it isn't the kind of a problem that can be licked by making one decision or looking at one part of the business.

Each company head has to find the answer first to this question: "What can I do in my own company operation to get a better picture of costs?" Then he needs this one answered: "How can I reduce those costs without impairing plant efficiency, or product quality or sales volume?"

Those questions can be directed—and often are—to

consulting management engineers. That is their special field. They are forever and ever bumping up against the cost problem. How they view that problem today as professional consultants is outlined in this special report. It is through the eyes, therefore, of members of the Association of Consulting Management Engineers, that BUSINESS WEEK has explored the cost problem.

**UNCONTROLLED** costs are the business goblins that will get you if you don't watch out.

- You can be a production whiz and lose money.
- You may be America's ace salesman and still run in the red.
- You may know all the tricks of finance and fail to keep a company in good shape.

No magic formula exists that will make a business profitable. Until one is found, profits will continue to be made the hard way. And, since profit in simplest terms is merely the excess of gross sales over cost of goods sold, the obvious way to increase profits is to decrease costs.

But not all cost-cutting is wise per se. Using the meat ax on costs can be the way to kill the golden-egg-stuffed goose.

Doing a cost-control job does not mean that arbitrary actions should be taken to cut production, trim payrolls, slice prices, strangle promotion or slam the brakes on all capital spending.

If you concede that haste makes waste, then what is

the proper procedure? And, how do you start to move?

The beginning is a check-up to find out what the condition of the company is costwise. In other words, you begin with a management audit.

## AUDITING MANAGEMENT

A financial audit is made to learn where and how money is spent. Financial statements though aren't much help on the cost problem. They tell what went on, not what goes on. They don't indicate, except in a broad, fuzzy way, any weaknesses in the company structure. And even when you can see them there, it is often too late to do anything about it.

A management audit is a different kind of animal. It is aimed at getting the current situation into focus.

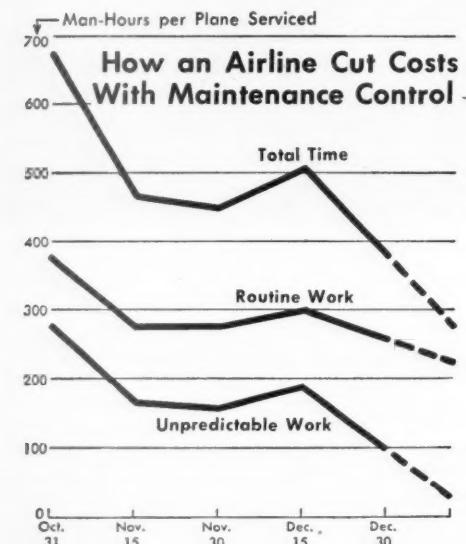
A management audit, according to E. O. Griffenhagen of Griffenhagen & Associates, now president of A.C.M.E., must get its facts at all company levels.

Organizational structure must be examined in detail. The functions of each unit should be clearly defined.

Next it looks into production and distribution, and the indirect functions that support them, to determine: (1) work responsibility; (2) effectiveness of labor; and (3) why, where, when things are done.

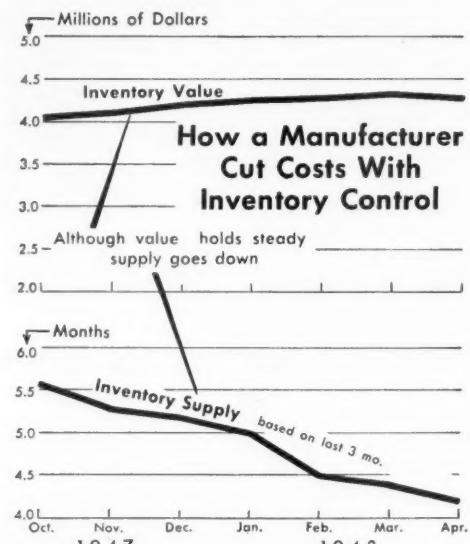
Personnel also gets a going-over, so that a clear understanding of personnel policies—like selection, pay, promotion, retirement, and dismissal—is obtained.

Final step in the broad approach requires analysis of



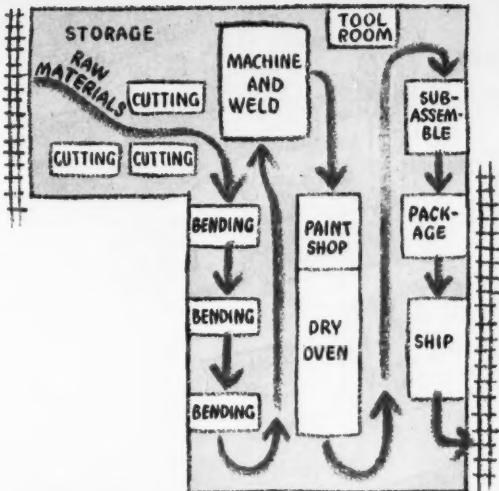
### Case 1: Maintenance

On overseas airline, servicing tied up planes, replacement parts often were in short supply, labor costs high. Remedy: study setup, install parts inventory control, coordinate maintenance. Source: Wallace Clark & Co.



### Case 2: Inventory

Watchmakers inventory of raw materials was piling up, tied up capital, could be costly on price-break. Remedy: study of "what", "where" and "when", plus control, cut inventories drastically.



### Case 3: Plant Layout

Metal-products maker found back-and-forth movement of materials costly. Remedy: Process studies resulted in a complete re-alignment of equipment. This produced an orderly streamlined flow of materials.

physical facilities: plant, equipment, materials. To these steps should be added an analysis of the fiscal condition.

Most consultants also insist that, throughout the audit, close contact be maintained with the labor force. This insures cooperation when the new plans are put in motion, according to George H. Elliott & Co.

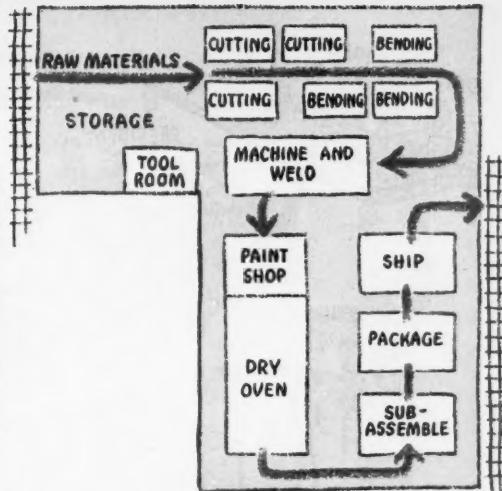
### Making the Attack

Once that broad, over-all job is done, you are in a good position to get started on the revamping job.

Lee H. Madden, of Business Research Corp., a management firm, suggests this as Step One: a profit-and-loss budget for every segment of your company. This budget sets up production operating goals that will meet reasonable profit standards.

Step Two, says Madden, is to start ferreting out the weak spots. This is the kind of bird-dogging that can be done:

- Look into the design of your products, and your product line. Perhaps the line can be simplified, and the non-paying items thrown out.
- Machines and tools can stand a good look-see, to determine if your plant is on top of latest developments.
- If plant layout isn't efficient, do something about it.
- Take a look at your direct labor and find out if you are taking positive action to improve efficiency.
- Indirect plant labor can cost plenty. Perhaps you are overmanned.
- Study your maintenance costs. Planned, regular scheduling can cut out a lot of expensive down-time.
- Your office help has probably increased rapidly during the last few years. Some jobs might be eliminated, combined with others, simplified.



• Distribution eats up money, too. Perhaps your costs are higher than they should be because of out-moded practices.

• It pays to look into company finance practices, to see how much you are paying for the use of money, what limitations you must face in using borrowed funds; how fixed obligations are paid off.

### The Organization Set-Up

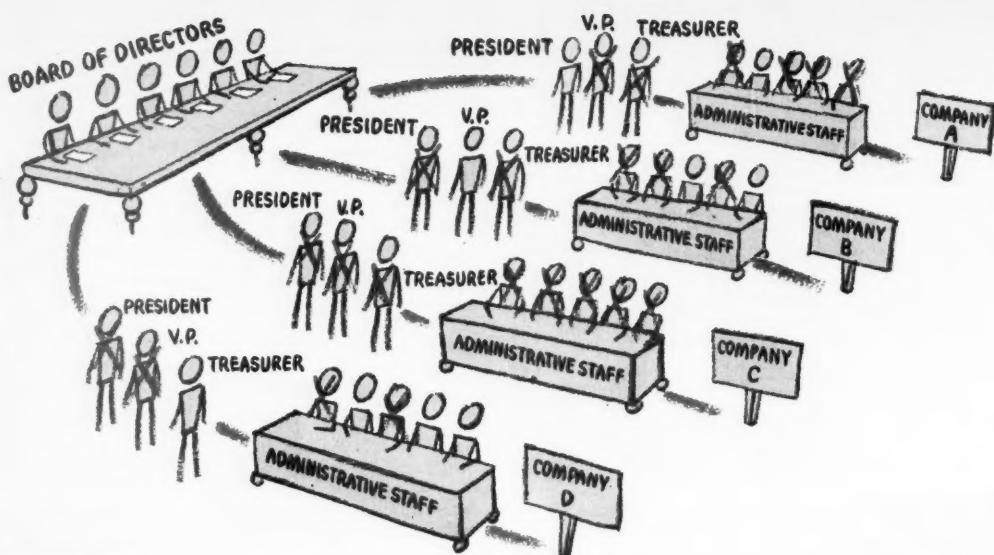
Even before you pry apart policies and practices, you need to look at your team. Be sure all the bases are covered, that the catcher isn't playing third base, and that the team plays well together. According to Ford, Bacon & Davis, New York consultants, you'll find that a good team encourages initiative, multiplies abilities. Your goal should be to get all activities, jobs, and departments clearly defined, tie-ins improved, and overlapping eliminated. The inevitable result will be that executives have more time to manage. Less time will have to be spent on coordinating work. They're less likely to feel that they just have to play company politics. Weaknesses in a management team can often result in serious financial difficulties.

**Example:** A million-dollar company in the midwest had one of the best engineering departments in its field, and a highly efficient manufacturing division. Yet that company had trouble selling its high-quality products. Painfully simple reason: The organization lacked a competent merchandising man.

**Example:** In a mail order house, industrial engineers McClure, Hadden, & Ortman found that management was cumbersome and inefficient. The business was put back on its feet by whittling down, over a period of time, the number of executives by 15%.

## PUTTING THE FINGER ON COSTS

Costs crawl through every organization all the way from the purchase of raw materials to the sales of a product. But you can't exercise control over them until



#### Case 4: Organization

As shown in the two sketches, executive jobs are often duplicated. A holding company had four subsidiaries under one board of directors, four sets of executives. Remedy: cut out overlapping executive functions.

you know what your costs are—and you can't measure your costs unless you have a base line: past performance, or some reasonable standard.

Scovell, Wellington & Co., New York consultants, will tell you that the exercise of cost control requires: (1) measuring results against some standard, plan, or goal (the standard may be based on past performance, or future expectation based on dollars or units); (2) the fixing of responsibility for results; and (3) definite action on the part of those responsible for operations and expenditures. However, it is also important to know what cost facts are significant and what to do about them.

**Example:** The firm emphasizes this point with an example of improper costing in a medium-sized ball-bearing plant. Here it was found that former costing methods used for various sizes of bearings were in error. Selling prices on large railroad bearings did not recover cost.

The basic costing error was simple; it occurred because the company ignored a simple fact of production: The principal difference in cost of bearings is rather pronounced at initial operations which involve screw machines handling 1-in. tubing and those handling 8-in. tubing. The company had erred in using an arbitrary method of distributing set-up costs and other burden over all the machines.

**Example:** Two similar machines were being used on the same operation and product. One machine was new; its cost was twice that of the older one. In developing burden rates, the company used actual costs in allocat-



ing depreciation, taxes, and insurance. Thus, although there was little difference in the two machines' production, there was a marked difference in burden rates. The foreman, knowing the difference in burden rates but not knowing why the difference existed, assumed that it cost the company more to run the new machine. So he kept it idle. He channelled most of the production through the older machine, which required frequent repairs and adjustment. The net result was to increase the overall cost of production.

Dyer Engineers, of Cleveland, are strong advocates of "workable" cost control systems. The firm has worked out a method which involves determination, throughout the plant, of normal costs. Then allowable variants are computed. Each process and operation is charted daily, at the point of cost, to note the departures from the set-up norm. The measurement is done in "units." When a process shows a trend away from the present norm, everyone up and down the line can spot it immediately.

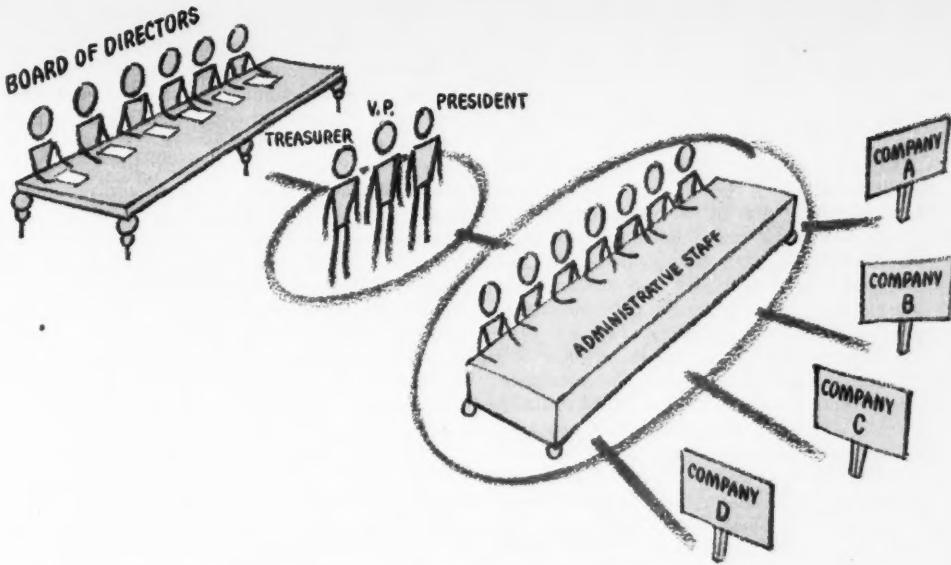
The Dyer system also includes a bonus plan in which every employee from worker to president is paid on the basis of plus performance over the normal, or expected, number of units.

As applied to a big paper products manufacturer, the system upped productivity 20%. It didn't increase sales, but did increase company income, and stepped up employee morale. Dyer says his system isn't profit-sharing; it's increasing personal income strictly on the basis of accomplishment.

#### What About Indirect Labor?

Indirect labor, whether in office or plant, can be a whopping big contributor to mounting costs. Most companies have no adequate measure of the work-output of such groups.

Executives of Booz, Allen, & Hamilton, Chicago,



management engineers, report that one company, doing a \$200-million business, was in that kind of fix. The company had reduced direct labor in direct proportion to a reduction in sales. But indirect labor had increased. A survey showed that, although the indirect force was working very hard, it was spending its time on "made" work. A saving of \$4-million a year was possible.

According to one Booz executive, the rise in indirect labor noted in many industries is a carryover from wartime employment habits. Also, indirect labor costs must be studied from the viewpoint of what each job entails, whether the job is necessary to the company operation, and whether full efficiency of indirect labor is being obtained.

To make such studies, McClure, Hadden, & Ortman suggests that the same principles and methods be applied as are used to increase direct labor productivity. Often you'll find that some of the jobs really aren't necessary, that they can be simplified.

Business machines are labor savers. But their application should be based on close study of office operations. Where office machinery is under study, Bigelow, Kent, Willard & Co. suggests that you approach the problem by figuring out whether the proposed use justifies the capital expenditure (just as you would for a machine tool). Mechanizing your office won't save you money if the office methods and procedures are antiquated. But office mechanization can be a big help.

**Example:** A large insurance organization, a client of Bigelow, Kent, Willard & Co., had, of course, plenty of paper work. The consultants brought to the attention of the management possible mechanizing techniques that would not only simplify clerical work, but spread it, and eliminate peaks. By using adequate punch card and billing machinery, after standards for work had been set up, it was possible for the company to reduce indirect labor by 50%, with a big saving in overhead.

Indirect labor can plague you in production, too.

**Example:** A large company making metal products hired Booz, Allen & Hamilton to organize a cost reduction program. The company had expanded to four times its prewar size. Although it operated under a standard cost system, costs were getting out of line, and the company was in danger of being priced out of its market. Since the primary need was for rapid improvement in costs, the immediate efforts of consultant and company were concentrated on indirect labor.

Workable ratios between direct and indirect labor for each productive department were worked out with the general foreman. A system of checks on the status of each shift was established to permit prompt corrective action against variations. To tighten the controls, a consolidated report of all three shifts was sent daily to the general superintendent. Result: Production increased 42% and savings of almost \$50,000 a month were realized.

In addition, the procedure of feeding material to the assembly line was modified, tool cribs were combined, the guard force reorganized, timekeeping improved. Traveling personnel, who were still doing their wartime jobs of expediting and labor recruiting, were switched to other jobs. Savings from that phase of the program amounted to \$20,000 monthly.

### Production Planning

Practically every company knows the value of good production planning; most companies use it one way or another. But not all of them capitalize fully on it.

**Example:** A safety glass manufacturer, working with Wallace Clark & Co., New York management engineers, lifted production per manhour by 30%. How? By proper balancing of centralized planning for long-range production and decentralized planning for day-to-day work. This required determination of work loads and

work progress through the shop. On the basis of this study, it was possible to make accurate delivery promises. Management was able to determine well in advance what producing units were overloaded, or what units would run out of jobs, so advance preparations could be made for transfer of personnel. More stable employment was another bonus.

**Example:** The same firm of management engineers, working with one of the biggest watch manufacturers, did another interesting production planning job. The company planned to increase sales and production to get a larger share of the market. A 66% increase in manufacturing schedules was projected. First a capacity study was made to make certain that there would be a proper balance between plant capacity and sales plans. The study showed where the "choke" points in manufacture would occur, and how serious they would be. The study showed, surprisingly, that the 66% increase in output could be met without the purchase of new equipment or added overhead. All that was needed was the addition of a second shift to a relatively small percentage of machines. With proper production methods installed, the increased schedule was easily met. Inventory in process was reduced 7%.

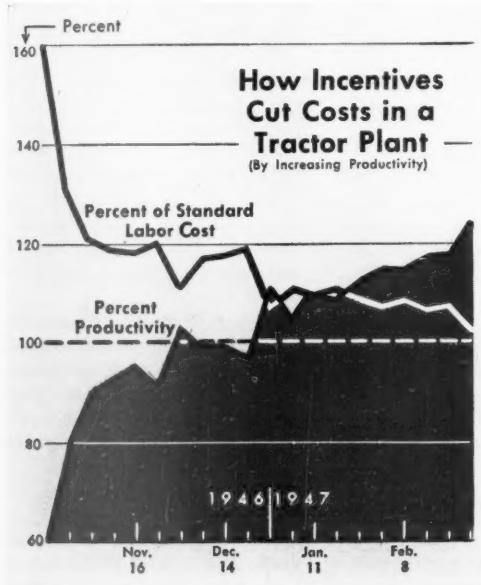
Barrington Associates, in approaching a production planning problem, first attempt to set up standards. Then they enlist the aid of the staff in meeting these standards. The consultants, at the same time, look

for possible minor changes that might improve output.

**Example:** An executive of that firm cites the case of a company in the printing industry that kept lowering its output standards, and faced an inventory problem because of shortage of supply of raw materials. First step recommended was to reduce the labor force to the point that could cope with the available supply of raw material. This was done by eliminating 3-shift operation and overtime. Then, machines were studied carefully. This study showed, in some cases, that equipment was in poor shape: bad bearings, inaccuracies in drive mechanisms, bearings out of line. As a result of these findings, the company spent \$12,000 in repairing the machines, saving \$300,000 that would have been spent to secure new machines to equal production. The old machines were speeded up and 25% more output obtained with 400 instead of 530 employees.

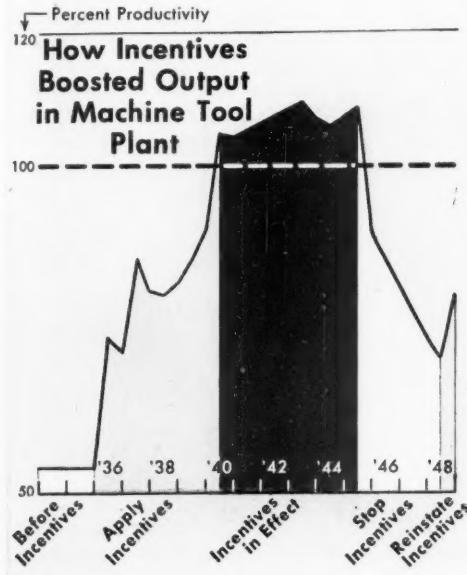
Other improvements can also be adapted in a production improvement program: Continuous equipment can replace batch or intermittent handling; special fixtures to do multiple jobs can be devised; improved layout can result in less parts travel, thereby cutting costs and inventory-in-process; quality control systems used.

An executive of Business Research Corp., talking of quality control, says that if your combined manufacturing costs of scrap and rework exceed 1½%, it will pay you to investigate the method. Quality control reduces manufacturing costs by cutting down: (1) salvage and



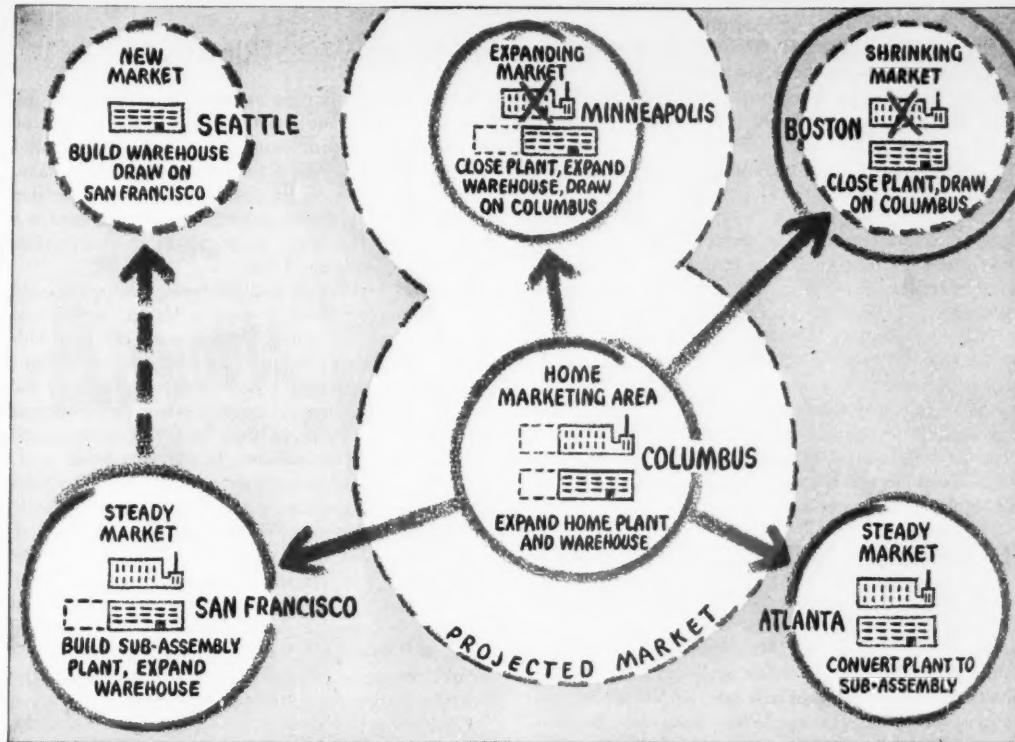
#### Case 5: Incentives

Tractor plant had low productivity, high labor costs. Remedy: install wage incentives. Labor costs slide rapidly as productivity rises to a point well above preset standard output. Source: Albert Ramond & Associates.



#### Case 6: Incentives

Incentives in a machine-tool plant lifted productivity well over standard. When incentives were dropped, productivity fell. Remedy: re-installed incentives boosted productivity sharply once again.



### Case 7: Marketing

After study of sales patterns consumer-product maker discovered that some sales areas didn't justify branch plants and warehouses. Remedy: Some branch plants were closed (see above).

rework expense; (2) scrap; (3) inspection costs; (4) tool expense. It reduces sales costs by (1) cutting down servicing and replacement charges; and (2) eliminating customer complaints.

Materials handling also offers opportunities for production savings. Fork trucks and palletizing techniques are widely used for that reason. Ford, Bacon & Davis points out, though, that hidden materials handling on work in process can often be expensive. Generally such costs are treated as parts of process labor, but that often doesn't give a true picture. The man-hours used in such handling aren't common labor, but top-paid operators and machinists. According to that firm, hand movement of materials in process can eat up from 5 to 20% of manhours.

One of the good results obtained from production cost studies is the improvement of your inventory status. To improve that situation, you must know (1) what you need; (2) how much you actually need; and (3) when you will need it.

**Example:** A. T. Kearney & Co. put those principles to work for a farm machinery manufacturer. The objec-

tive was to reduce inventory by \$1.6-million in 60 days. The company had excess inventory in its various plants; it also had excess service parts inventories. First step was to determine for those next 60 days the probable sales in finished units, and relate that to the number of units in stock and in process. That determined how many additional units were to be made. Production of these units was then allocated among several plants. That allowed readjustment of raw materials inventories. Some plants were able to cancel materials orders, because they could "borrow" from another overbought division. To cut down on service parts inventory, the consultants suggested that branches order only actual materials needed (too often buying orders are upped by one department after another to be on the "safe" side). No branch was allowed to build up its stock of service parts. Local purchases were cut out; and "specials" were only supplied against firm orders.

Responsibility for inventory control was placed on one man trained for the job. He had sole say in making inventory decisions. As a result, "guess-on-guess" buying was eliminated, and the company was able to meet the inventory reduction goal.

### Maintenance: Cost Builder

Management usually sees figures on materials and labor required for maintenance; what management doesn't see are the hours lost in production or service through bottlenecks in maintenance operations. Trundle

Engineering Co. executives advocate organized maintenance that takes in standards, control of supplies, knowledge of maintenance operating conditions, and labor estimates on both indirect and direct workers that your maintenance program requires.

**Example:** An airline got these results: Better layout of the hangar, shops, and storerooms released about 20% of expensive space. By reorganizing the planning department and relating the number of personnel to the current and projected office work load, \$57,000 was saved in clerical costs.

Management engineers suggest this attack on your maintenance problem: (1) identify the principal causes of breakdown; (2) set up a preventive maintenance program; (3) improve your maintenance methods; (4) take a look at your maintenance parts inventory; (5) review the organization of maintenance in relation to operating departments; and (6) establish budgets which reflect "should-cost" figures for such work, and make provision for regular performance reports to executives.

## INCENTIVES: PRODUCTION LIFTERS

Incentive plans are important factors in lifting productivity. Such plans must be based on accurate job evaluation, according to Albert Ramond & Associates, Chicago management consultants. Incentives can take the form of extra pay over base rate, job upgrading, promotion, or profit sharing. Where individual performance is difficult to measure, or where work performed by each worker is variable, or where continuous changes occur, incentives can be provided on a group basis.

Incentives for indirect workers can be figured on the same general principles applied to direct labor.

Executives, too, are now being placed on incentive plans based on profits, sales, or other factors for which the executive has responsibility. Direct profit sharing is one form of reward for executives, but is limited in effectiveness, because profits can be affected by factors over which the executive has no control.

Incentives can serve another cost-cutting purpose. For example, they can be used for special jobs where the productive use of expensive equipment is a more important cost factor than the manhours required to operate it, or where it is important to get maximum use of expensive materials.

Ramond executives cite these results with good incentive plans: in the glass industry, earnings up 4%, productivity up 10%; in woodworking, earnings up 27%, productivity up 114%; in nonferrous metal working, earnings up 19%, productivity increased 32%.

**Example:** In a woodworking plant, overall worker performance under an incentive system installed by Bigelow, Kent & Willard, averaged 27% above standard. The actual gain in production was 66%, because the level of production before incentives was only 75% of what the consultants later established as a fair standard. Bigelow, Kent & Willard also point out that when a bonus is paid for performance above standard, there is never any actual change in direct labor cost per piece.

## SALES AND DISTRIBUTION

Selling and distribution expenses are much more difficult to control than manufacturing expenses because of outside factors. But, exactly as in a factory, the point for effective cost control is the point where activity takes place. Cost accounting for distribution should determine the cost of selling to the desired class of customer, in a given market, through a given means of distribution, according to McKinsey & Co.

**Example:** A company manufacturing knit goods sold most of its production through a limited number of customers, each of whom sold a complete line with various styles under brand names. Styles and designs were made to individual customer specifications, or the manufacturer developed lines from which each customer selected exclusive items. In many cases, customers wanted one or more feature numbers to sell at a lower price, with the manufacturer taking a lower net. The sales department thought they made up for this by establishing slightly higher prices on the remainder of that customer's line. But the volume of sales on each of the specials really was sufficient to classify them as standard.

After a study of sales by lines was made, it was found that there was a wide variation in gross profit between customers. As a result, the lines were repriced on a more realistic basis, and the company obtained a better, and more uniform profit on all its lines.

**Example:** Booz, Allen & Hamilton made a survey for a grocery wholesaler that showed 39% of his product line yielded less than 7% of his sales and gross profit. Selling time and effort was more efficiently, and profitably, used by eliminating most of the items in that category and concentrating on the higher-profit items. Unprofitable accounts were dropped, sales-force work loads readjusted, territories reallocated. Immediate savings of \$34,000 were realized in selling expense.

**Example:** Emerson Engineers, Inc., New York consultants, studied the merchandising methods of a national chain store and found that purchases and shipments were left to individual judgments. From the records of the company, the engineers found that sales had a definite pattern regardless of volume, and could be forecast within an error of 3%. Scheduling shipments on the basis of known sales volume resulted in inventory reductions and increase in turnover of 15 to 30%.

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## READERS REPORT:

### Fact Finders and Bargaining

Sirs:

I am impelled to write to you because I believe that the writer of the editorial "As Steel Goes, So Goes the Nation" [BW—Sep. 3 '49, p. 96] has missed the point; namely, that the current situation, wherein the steel industry finds itself before a Government-appointed Fact Finding Board, is an inevitable result of the concentration of power in the hands of labor leaders. . . .

I believe that there has been some muddled thinking on this subject. Your editor refers to an "extra-legal appointment of a Presidential Fact Finding Board." The inference is that the President's action in setting up a Fact Finding Board, with the request that they make recommendations, was in violation of the Taft-Hartley Act. Please note that the President's authority under the Taft-Hartley Act is permissive, not mandatory. I think you will be interested to learn that Senator Taft himself has stated that the President had complete legal authority to take the action which he did. Furthermore, I am told that Senator Taft stated that the President not only had such authority but that it was the duty of every patriotic citizen to help him resolve a difficulty which might have severe consequences. . . .

The evil was not done when the President set up his Fact Finding Board. The evil was done long before this, when you and I and the rest of our citizens permitted the growth of great concentrations of power in the hands of labor leaders. This power constitutes a practical monopoly just as dangerous to our political, economic and social institutions as any other monopoly.

The only protection which the public has against such monopoly, under existing law, is some device such as a Fact Finding Board which must eventually lead to compulsory arbitration and to a controlled economy.

I have always felt that the board provided for under the Taft-Hartley Act is essentially no different from a Presidential Board which is not set up under the provisions of that act. Both boards would be appointed by the President. Under the Taft-Hartley Act the board would be prohibited from making recommendations. The President can request his board to make them.

The fact is, however, that any board can so state the alleged "facts" that they will constitute recommendations.

In my opinion, the Taft-Hartley Act is designed to treat a symptom rather than the disease. The symptom is labor-management which is harmful to the

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Jose, California, and Toledo, Ohio, plants has been increased to meet the rapidly growing demand from food processors, hotels, restaurants, institutions and the thousands of retail stores now handling "Ac'cent" in consumer-size canisters.

In the past twelve months, International has completed two major construction projects which will add to the output of the Corporation's products. Large drying, storage and shipping facilities have been built at the new Noralyn Phosphate Mine at Bartow, Florida, which started production in the Spring of 1948. A large new refinery at the Carlsbad, New Mexico, Potash mine is now producing 99.9% pure Potassium Chloride, which the chemical industry employs to make two basic potash chemical compounds used extensively in the production of many industrial and consumer products.

International mines and manufacturing plants in twenty states from coast to coast are busy producing International Minerals and Chemicals for industry and agriculture which serve millions of people in both domestic and foreign markets.

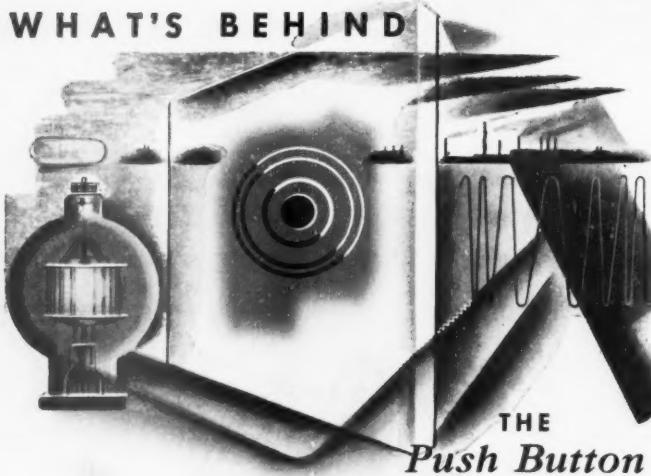
A copy of the Corporation's 1949 Annual Report can be obtained upon application to the general offices.

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## WHAT'S BEHIND



### THE Push Button

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management discord which is harmful to the public interest in a significant degree. The disease is concentration of great economic and political power in the hands of individuals who have no responsibility to the public.

BEN MORELL

PRESIDENT,  
JONES & LAUGHLIN STEEL CORP.,  
PIRTSBURGH, PA.

• BUSINESS WEEK did not intend to leave the impression that it was overlooking the concentration of power in the hands of labor leaders. We said: ". . . it is necessary that the government provide safeguards against one or another of the parties becoming so powerful, through monopoly devices, as to distort collective bargaining into collective dictation." Admiral Morell's point was further pursued in BUSINESS WEEK on Sept. 17 (page 120).

By calling the Presidential board "extra-legal" we did not mean "illegal." To be sure, the President's fact-finding setup didn't violate any law. On the other hand, the President could just as well have appointed a fact-finding board within the framework of the Taft-Hartley Act simply by declaring that an emergency exists which needs attention. The point we were driving at is that the President saw fit to act outside the scope of a law which he doesn't like.

Sirs:

The steel industry is greatly in your debt for the magnificent editorial in the Sept. 3 BUSINESS WEEK.

It is a fine piece of writing, and I am very proud to receive honorable mention in it.

CLARENCE RANDALL

PRESIDENT,  
INLAND STEEL CO.,  
CHICAGO, ILL.

#### Lion Oil Stock

Sirs:

Under "Oil Warnings and Stock Prices" [BW—Aug. 20 '49, p87] the decline in price of Lion Oil Co. is given as -56.8%.

Did not your statistician overlook the stock split of Lion stock made by the company since the stock sold at the price of \$55.50. The equivalent price "now" should, I think, be \$48 instead of \$24, a 13.5% decline.

JAMES N. WRIGHT  
PASADENA, CALIF.

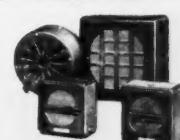
• BUSINESS WEEK erred. The 2-for-1 Lion Oil stock split-up of last May, of course, means that the 1948 high for the stock, after making adjustment for this event, was actually only \$27.75 instead of \$55.50; and that the drop should have read only 13.5% instead of 56.8%.



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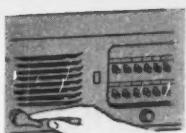
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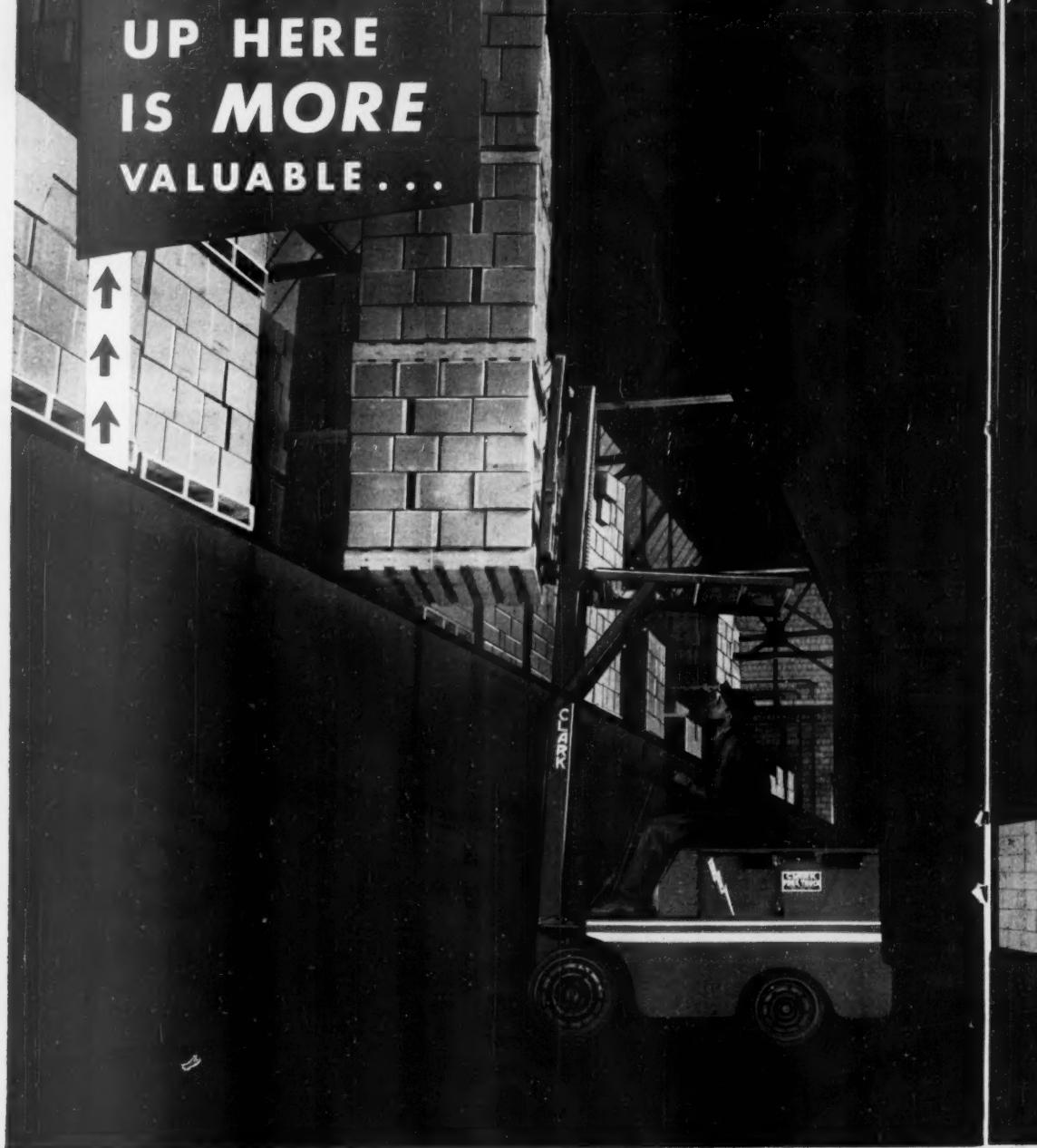
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Write for the current issue  
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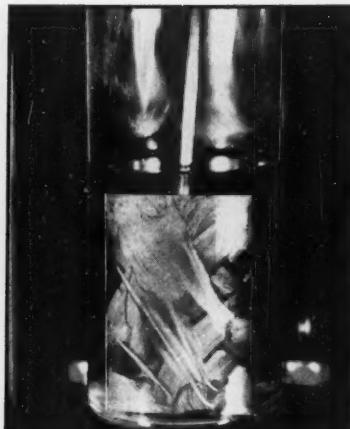
THAN THIS  
**SPACE**  
down here

# PRODUCTION

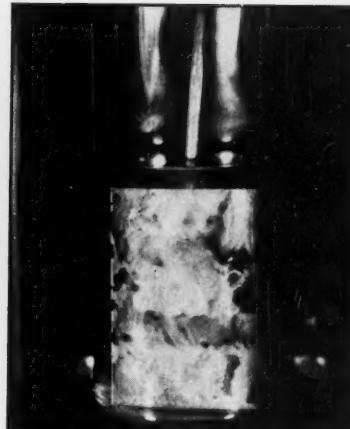
Using high frequency sound you can clean a piece of steel.



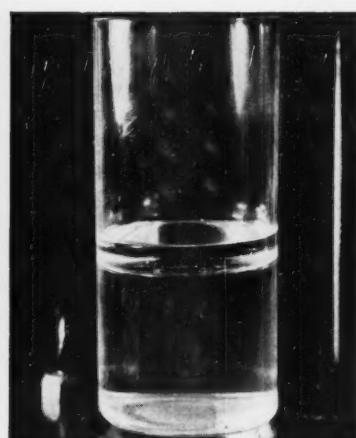
... or you can make a water and oil emulsion



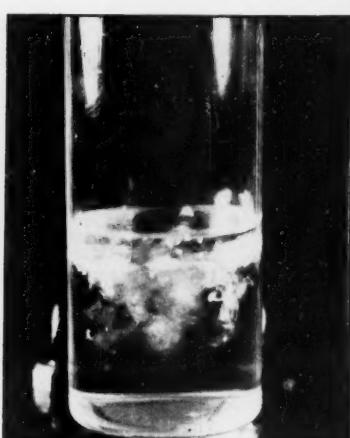
1 Greasy steel plate is immersed in caustic solution. Then . . .



2 Sound waves bang the caustic solution against steel. In 20 seconds . . .



1 Layer of light oil floats on top of water in beaker, won't mix until . . .



2 High frequency sound waves agitate solution, break up oil droplets. Soon . . .

3

## How Industry Can Use Ultrasonics

Last week engineers of American Steel & Wire Co. and Ferro Enamel Corp. watched Frank Massa rig up a contraption. It did in 10 sec. a job that normal equipment takes 20 min. to do. Without producing cleaning fumes, and at room temperature, Massa degreased a metal part.

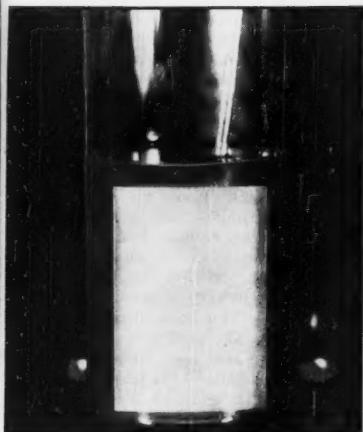
• **Sound Bath**—How did he do it? Massa merely applied high-frequency, high-intensity sound waves to a caustic clean-

ing solution that covered the greasy metal parts. The soundwaves vibrated 33,000 times a sec., bounced molecules of the solution against the metal, and scrubbed the parts clean.

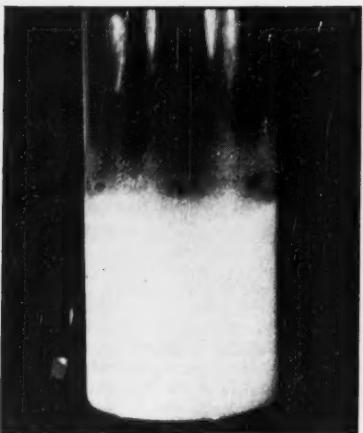
Massa made it look easy. But behind his demonstration lay months of research on the same sound-engineering principles that were used during the war to detect enemy submarines. Massa's aim, as head of Massa Labora-

tories, Cleveland, has been to apply these principles so that sound might become an efficient, low-cost production tool—as induction heating, for example, has already become. Sound men say that industrial sound today is at about the same point of development that induction heating was 15 years ago.

• **What It Is**—Sound, itself, is no more than a series of pressure pulsations. Drop a stone in water and you make



3 Cleaning action has left steel plate scrubbed, completely greaseless.



3 Water and oil molecules are intermixed.  
Result: Complete emulsion.

ripples; the drops of water at the surface of the pond move up and down, and the ripples spread out across the pond. The ripples are the sound waves, the stone the exciting source, the water the air.

In sound, air molecules vibrate backward and forward. Low-intensity sound is equivalent to small ripples, high-intensity sound to bigger waves. Frequency is the number of ripples a second.

To the sound engineer, intensity is expressed in decibels (db.), frequency in cycles per sec. Your ears can hear sound waves whose frequency runs be-

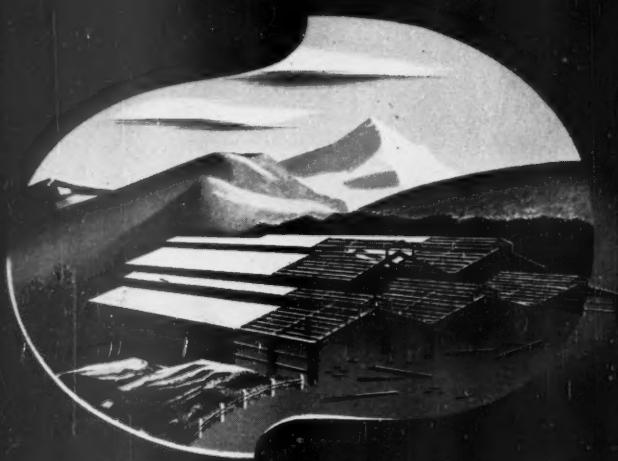
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tween 500 cycles and 18,000 cycles a sec. Above that, nature has made you deaf to the waves.

To put sound to work industrially, you need a device that will produce frequencies well over 30,000 cycles a sec. You also need equipment that can turn into sound energy measured in kilowatts.

• **Generation**—How do you generate high-frequency, high-intensity sound waves? You can do it with a siren, that chops up an air stream into tiny particles, as Ultrasonic Corp. (BW—Feb. 7 '48, p.54) does. Or you can cause a metal bar to expand and contract rapidly with a changing magnetic field. You can also apply high-frequency currents to a piezo-electric crystal that translates electrical energy into mechanical energy.

Massa finds two basic facts responsible for the industrial role of high-frequency, high-intensity sound:

(1) Sound vibrations can be generated with such magnitude in liquids that molecules can be bounced around to produce forces equal to several thousand times the force of gravity.

(2) The forces can be produced in the liquid in fractions of a second; they can be generated by several practical methods that lend themselves to use in production machinery.

• **Types**—In the cleaning operation the Cleveland engineers saw Massa use a device known as a magneto-striction transducer. The transducer is a unit made of an alloy of nickel and cobalt. In the cleaning process, it was made to oscillate at a rate of 33,000 cycles a sec. by a high-frequency electric current. The current created an alternating magnetic field that changed direction 33,000 times a sec.

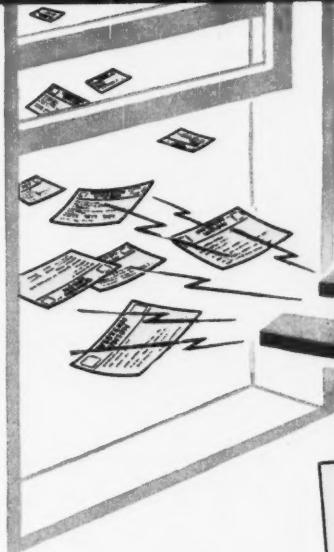
For frequencies above 100,000 a sec., sound men use the piezo-electric crystal. The crystal elongates in one direction, contracts in the other, whenever an alternating electric voltage is applied to opposite faces of the crystal. The size of the crystal, and the way it is cut, determine the frequency.

• **Sound's Work**—Degreasing steel is only one of the applications of sound in industry. Here are some of the other things sound does now or will do soon:

- It can mix incompatible liquids like oil and water, mercury and water.
- It can disperse particles through liquids to make synthetic colloids.
- Sound may produce new alloys through its power to combine metals of different melting points, iron and copper, for instance. In a molten mixture of iron and copper, the copper tries to separate out during cooling. But if you subject the mixture to ultrasonic waves (during cooling) the molecules of copper will arrange themselves in an even distribution throughout the mass. Result: an iron-copper alloy.
- Castings can be degassed by subject-

## ATTRACT ORDERS FASTER, SURER...

### WITH TELEGRAM-ORDER-BLANKS



In today's buyers' market, telegram-order-blanks make it easier for your prospects to order from you... give you a competitive edge.

With economists reporting purchasing power higher than ever, but with customers more selective, the businessman who offers real value, and promotes it forcefully, gains the advantage. That's why every day more businessmen are turning to telegram-order-blanks.

A different, striking sales approach, telegram-order-blanks help stimulate sales by adding importance and urgency to your offer... calling for the order then and there!

Not only do telegram-order-blanks permit a systematic flow of orders through your office, they also provide you with a written record... leave no chance for mistakes. Telegram blanks can also be printed to handle all kinds of recurring reports.

Ask a Western Union representative to explain, with actual case histories, how telegram-order-blanks can help you increase sales in today's buyers' market.

TELEGRAM-ORDER-BLANKS, distributed through your salesmen, or other channels, are a convenience to your customer. When you print your order and sales message on the telegraph blank, all he has to do is fill in the details and let Western Union do the rest.

\* \* \*

TELEGRAM-ORDER-BLANKS SELL COAL BY THE CARLOAD... from 150 telegram-order-blanks distributed to customers, a coal company drew collect telegraphic orders for 15 carloads of coal.

TELEGRAM-ORDER-BLANKS SELL THOUSANDS in merchandise for a vegetable seed concern. Blanks that were circulated among customers brought \$15,000 in collect telegraphic orders.

NOTHING ELSE GETS THROUGH, GETS ACTION.. LIKE A WESTERN UNION TELEGRAM

# new aircomatic process does three hours' work in fifteen minutes

**MARTIN-QUAID COMPANY**, a prominent metal fabricator of Philadelphia, Penna., received the job of constructing a number of special aluminum vessels from the IN-TAG Division of Interchemical Corporation. The established method of production seemed too costly of both time and money.



**Dana V. Wilcox**, Airco Technical Sales Representative, recommended the new Aircomatic Process with Airco Helium-Aluminum alloy  $\frac{1}{2}$ " and  $\frac{3}{4}$ " thicknesses was used. The suggestion was adopted, and the process was applied to the job on a production basis.

Prior to the introduction of the new Aircomatic Process, Martin-Quaid used another arc welding method, but found welding time to be a disproportionate

amount of its manufacturing costs. For example, the total welding time for a  $4' \times 5' \times \frac{1}{2}$ " side section of the vessel took three hours. With the Aircomatic Process, the three-hour period was reduced to fifteen minutes—a tremendous saving in time and consequently cost.

Due to the speed of the Aircomatic Process as a production tool, Martin-Quaid is planning to expand its aluminum fabrication facilities.

#### TECHNICAL SALES SERVICE — ANOTHER AIRCO PLUS-VALUE FOR CUSTOMERS

To assure its customers of high efficiency in all applications of the oxy-acetylene flame or electric arc, Air Reduction has available the broad, practical experience of its nationwide Technical Sales Division personnel. The collective experience and knowledge of these specialists has helped thousands to a more effective use of Airco processes and products. Profit by this Airco "Plus-Value" service. Ask to have a Technical Sales Division man call today. Write: Your nearest Airco office. In Texas: Magnolia Airco Gas Products Company. On West Coast: Air Reduction Pacific Company.



## AIR REDUCTION

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Headquarters for Oxygen, Acetylene and Other Gases... Calcium Carbide... Gas Cutting Machines... Gas Welding Apparatus and Supplies... Arc Welders, Electrodes and Accessories

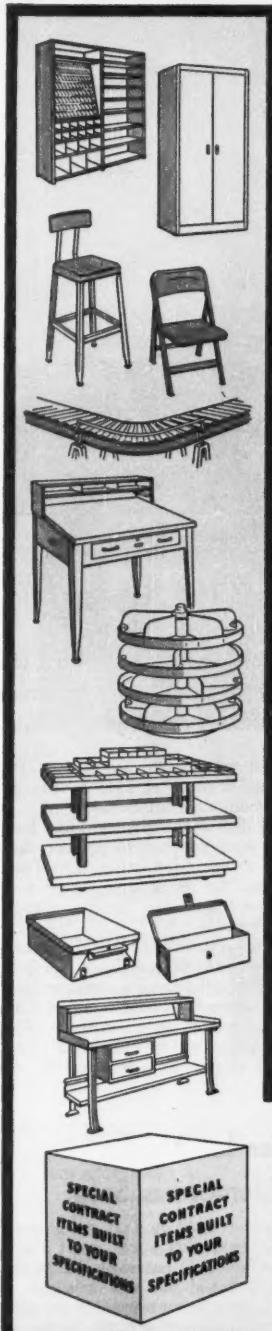
ing the molten liquid to sound bouncing during the cooling period.

- Fine fogs or mists can be produced by concentrating sound energy at a point near the surface of the liquid. In the printing industry, the fog could be used to form a fine, uniform layer of ink on rolls or printing plates.
- Sound treatment can increase the wetting action of a liquid. That can help the textile people.
- Still in the "maybe" stage is the idea of dispersing fibers throughout a liquid. Sound waves, perhaps, might cause the fibers to align in a particular direction. The paper and felting industries stand to gain most if the theory pans out.
- Sound waves are under study as a way to create new types of carburation by vaporizing nonvolatile fuels. This could be of great importance to the internal-combustion motor makers.
- Other uses for sound include an electrolytic process to tin aluminum wire, precipitation of acid mists in industrial plants, paper drying (sound waves shake the sheets dry), and aging liquors. Some of the more-enthusiastic sound men believe that sound can even kill bacteria.
- **Challenge**—The potentials of sound in industry have been a constant challenge to Frank Massa. The possibilities of sound as an industrial tool began to intrigue him during the war years. Massa was then director of acoustical engineering for Brush Development Co. of Cleveland; he created more than 100 different underwater sound devices for use in various phases of antisubmarine warfare.

Today, most of Massa's work centers on the industrial uses of sound. Massa now has on the drawing board plans for a completely new plant with increased manufacturing and engineering facilities for the production of new products.

• **Battelle**—Ultrasonics ranks high on the list of research projects at many laboratories. For instance, Battelle Memorial Institute, Columbus, Ohio, has made advances during the past year in using ultrasonics to test the depth, and angle of flaws in steel tubes and parts. Battelle has also used ultrasonic measurements to determine the elasticity of aircraft steels. Ultrasonics has also measured the thickness of parts from one side only—for example, the wall thickness in a closed vessel.

Extremely hard, fine particles of ceramic materials have been broken up into sizes which pass readily through a 200-mesh screen by exposure to sound energy. Ultrasonic power for noiseless drilling of hard ceramics and metals has also been studied. The method appears to have applications in the fields of bone surgery and dentistry; shock to the patient would conceivably be reduced by a noiseless method of cutting and drilling.

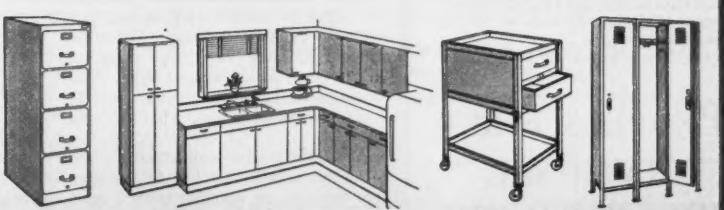


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- Tool Boxes
- Bar Racks
- Hopper Bins
- Desks
- Bin Units
- Parts Cases
- Stools
- Sorting Files
- Revolving Bins

# When you think of Pittsburgh



Although Pittsburgh's greatest renown is associated with industrial achievements, the city provides many notable cultural advantages for its residents. It is the home of Carnegie Institute, comprising famed art galleries, museum, music hall and library. Its Phipps Conservatory, Allegheny Observatory and Buhl Planetarium are outstanding. It has a fine Symphony and annually presents the world's greatest musicians. A proposed new Civic Theatre will be unique among open air amphitheaters. Five colleges and many other cultural features are available.

These facilities are vital to you and to the people you will ask to staff your new operations in Pittsburgh. And it is also important to know that one of the nation's largest banks has the facilities and the desire to serve your Pittsburgh banking needs. Your inquiries will be welcomed.

## PEOPLES FIRST NATIONAL BANK & TRUST COMPANY

Pittsburgh 30, Pa.

Member F.D.I.C.



Michael Parobek shows off a color print and his new machinery for making . . .

## Color Photoprints—Cheaper

Dye-Trans Color Photo, Calif., uses electronic controls, improved dyes, and mechanized handling to turn out cheaper color prints. Prices of 8 in. by 10 in. prints runs under \$2 in large quantities.

The steep cost of color prints has been one of the drawbacks in the wider commercial use of color photography. The cost of an 8 in. by 10 in. handmade print may run from \$5.75 to as much as \$65.00, depending on the process used.

- **Mechanized Process**—Now in California, Michael E. Parobek, a market research engineer, has found a way to mechanize color reproduction—and cut the cost of a print to \$2.00 in quantities of a dozen. For larger runs, the unit cost is even lower.

Parobek, who now bosses Dye-Trans Color Photo, Inc., at Oceanside, ran into the cost problem when he tried to get color prints for clients of his Los Angeles product-development business. He began to wonder what it was that made the prints so expensive. When he thought he knew, he started tinkering with ways to make them cheaper. Electronic controls, plant air conditioning, and improved dyes were what he came up with.

- **Color Match**—In print making, color filters are usually matched to the original color by an operator with a good eye for tints and dyes.

Parobek substituted an electronic scanner and a densitometer. These translate a color reading into a choice of a correct filter.

Variations of color are held to 1% compared with about 25% by conventional methods, Parobek says.

Print dyes of the type used for "fast" fabrics were adopted to prevent early fading of the color prints. Dye-Trans maintains the strength of the dyes by electronic gages that register changes as small as 1%.

Parobek intends to make his process available through franchised commercial photographers and advertising agencies. He expects to have a national distribution system set up early in 1950. The company will give dealers a 10-day air-mail service to any place in the country.

## Poser for Mosler: A Glamorous Safe

It seems unlikely that an idea on interior decorating could upset a production line. But last week the Mosler Safe Co. found out that it might. It was puzzling over a way to fill an order from a customer without losing its shirt on the deal.

The customer had sent his order to the right place—sure enough, he wanted a safe. Not only that, he wanted a



## how to sell in these "buy-gone" days

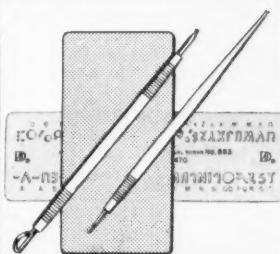
### MODEL 435

The last word in a duplicator. Table-top model with built-in electric motor. Lets operator sit down. Model 27 stand with foot control illustrated.



### NEW ACCESSORIES

Complete new line of styli, lettering guides, and screen plates. Produce professional looking copies with a wide range of type faces, illustrations, drawings, and shadings. New roll point stylus makes handwriting easy.



THE "buy" days are gone. The "sell" days are here. And that means thousands of copies of direct mail, sales presentations, conference guides, and other material for your salesmen.

Producing this material in a hurry to meet the ever-changing sales situation is an ideal job for A. B. Dick mimeographs. A new price list, for example, can be mimeographed in a matter of minutes. And what's more important, A. B. Dick mimeographs bring you this speed without any loss of the other duplicating essentials—legibility, over-all economy, versatility, and simple operation. That's why mimeographing is BALANCED duplicating.

So don't be shackled to static sales material. Mail the coupon below, or ask your nearby A. B. Dick distributor to explain how BALANCED duplicating can help you sell with A. B. Dick mimeographs. For use with all makes of suitable stencil duplicating products.

Mimeographing is **BALANCED Duplicating**



# A.B.Dick

*the first name in mimeographing*

**A. B. DICK COMPANY, Dept. BW-949**  
**720 W. Jackson Boulevard, Chicago 6, Ill.**

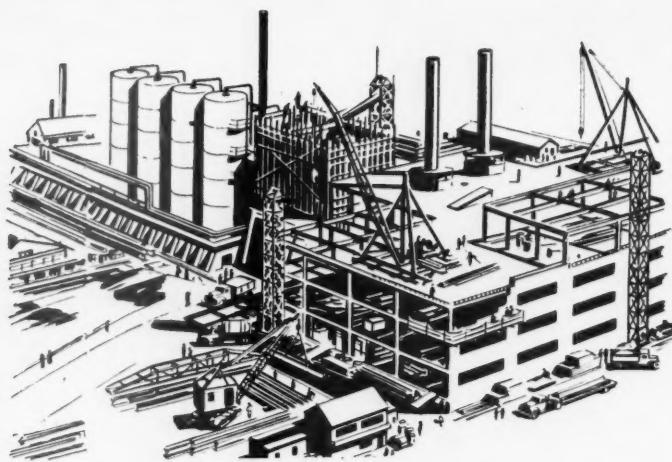
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## Your New **PROCESSING OR SPECIALIZED MANUFACTURING**

*Plant ...will not begin to earn money*

**until it starts turning out a marketable product**

**UNDER** a single contract Chemical Plants Division will design, equip and erect your plant from flow-sheet to turn-key operation in such a manner that weeks or months of construction time may be saved . . . time which will be expressed in terms of added dollar profits to its owners.



standard safe, with just a few teeny changes to fit the furniture in the wife's bedroom. Specifically, he wanted a pink safe with gold carved handles.

• **Losses**—Mosler cannot be accused of lacking an esthetic appreciation of life. But its problem is how to make this special safe without costing the company a tremendous amount of money in lost man hours. It's sure that the sight of a pink safe moving coyly down the production line would unnerve the steadiest worker for several days.

### PRODUCTION BRIEFS

A new auto-battery plant, just completed by Electric Auto-Lite Co. at Paramount, Calif., will begin production this month.

It takes 30 seconds to test mercury and gas-filled thyratrons via a new G.E. machine. Testing of tubes on the production line ordinarily takes four minutes.

Silica pigment for natural and synthetic rubber is being produced in commercial quantities by Pittsburgh Plate Glass. The pigment not only colors the rubber, but also increases strength and resistance to abrasion.

A portable transformer weighing 125 tons will be built by Westinghouse for the Bonneville Power Administration. It will move between Seattle and Portland on a railroad flat car to replace other transformers under repair.

A wear-testing machine for textiles appears in Commerce Dept. bulletin PB 98014. It simulates conditions causing wear on textiles during the normal life service. The Army's Quartermaster Corps developed the device.

Capehart Farnsworth Corp. will use the new method developed by Cincinnati's Video Polarizer Corp. for polarizing glass in TV tubes. The process applies a liquid crystal to glass to give a softer, sharper image.

Wollastonite, a mineral mined in New York State, is being studied by N. Y. State College of Ceramics, and Department of Commerce's Office of Technical Services for industrial potentials. The mineral has already been used in pilot plant operations as a component for thermal insulation, agricultural liming, and mineral wool.

A research center for Carbide & Carbon Chemicals has been completed by The H. K. Ferguson Co. at South Charleston, W. Va. The laboratories will handle the company's fundamental research in inorganic chemicals and resins.



## A Hidden Target is Hard to Hit!

Even Robin Hood would find it difficult to hit a target that was hidden from view.

And today, with current economic conditions laying a smoke screen before many sales targets, the modern business executive is finding it equally difficult to hit the bull's-eye. In these times, the business man vitally needs an accurate insight into the maze of problems that surround his target and obscure his view.

Willmark Surveys, over the past thirty years, have proved unusually effective in providing that insight. By unearthing the factual and unbiased information which keeps the executive in

close touch with the changes and developments occurring at points of customer contact, Willmark Research serves many organizations as a sound direction finder. It can be relied upon to give good aim to the policies and decisions which every executive must make to help guide the destiny of his company.

To clear the smoke screen which the complex channels of business have laid down between you and your sales targets at the various levels of distribution, employ the facilities of Willmark Research! Further information will gladly be sent to you without obligation.

### **willmark** Research Corporation

Subsidiary of Willmark Service System, Inc.

250 West 57th Street, New York 19, N. Y.

32 Branch Offices Coast to Coast.

Available in Every City in the U. S.

*Specialists for over thirty years in probing business weaknesses at the point of sale*



## Symbol of Sound Protection

This great seal of the Marine Office of America is a hallmark of sound underwriting in the fields of Ocean and Inland Marine Insurance.

Organized in 1919 by seven of America's greatest insurance companies, the Marine Office of America has faithfully and efficiently provided sound insurance protection on the cargoes of American business for more than 30 years.

That is why it is one of America's largest Ocean Marine underwriters.

These are the strong, dependable companies which comprise the  
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- \* AMERICAN EAGLE FIRE INSURANCE COMPANY
- \* THE CONTINENTAL INSURANCE COMPANY
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## NEW PRODUCTS



### Electric Tree Saw

A light-weight tree saw attached to a pole will cut off branches up to 1 ft. in diameter, 15 ft. above the ground. When you use the saw manually without the pole, it will fell or limb trees up to 2 ft. in diameter.

Where you have a power source handy, you can plug the saw into 110 v., a.c. or d.c. circuit. In field work, it operates from a small, 750 w. gasoline generator. The generator can be picked up and carried around like a satchel.

Other lighter models are available for use on voltages of 220 v., 60 or 360 cycles, a.c. Another type that weighs 7 lb. operates pneumatically.

- Source: Mall Tool Co., 7768 S. Chicago Ave., Chicago 19.
- Availability: immediate.

### Rectifier Welders

A new line of d.c. welding machines uses plate-type selenium rectifiers instead of the conventional motor-generator for power conversion. The machines combine the desirable features of d.c. welding with the advantages of a.c. welding units.

Efficiency of the machines at full load is 66% compared with the 54% of motor-generator welders. The units' efficiency increases at reduced loads, reaching 73% at 20% of the rated load.

Major components of the rectifier-type welder arc: (1) three-phase welding transformer, (2) three-phase adjustable reactor, and (3) full-wave, plate-type rectifier. The welders come in 200-amp., 300-amp., and 400-amp. models.

With the reactor, current on the 300-amp. model can be adjusted from 30 amp. at 20 v. to 400 amp. at 40 v. Figures on other models are in about



the same proportion. The knob that controls the reactor slides across a calibrated scale to help the operator adjust his setting.

All components are mounted in a streamlined cabinet that, for the 300-amp. model, is about 2 ft. square, 3½ ft. high, and weighs 510 lb. A door on the side of the cabinet makes it easy to inspect and repair all parts.

- Source: Westinghouse Electric Corp., PO Box 868, Pittsburgh 30.
- Availability: immediate.

### Starting Help

A carburetor preheater will ease starting troubles this winter, Kemode Mfg. Co. says. The preheater will help turn over the engine quickly at temperatures as low as -20°F.

The unit consists of a nichrome heating element held by two terminals in a plastic gasket. The gasket fits between the coupling joint of the carburetor and the intake manifold. Terminal wires on the gasket are connected to the battery line; a control switch mounts on the dashboard.

When the preheater is turned on, the gas sprayed into the cylinders by the carburetor warms up as it strikes the heating element.

Preheater units will be available for most makes of medium-priced cars.

- Source: Kemode Mfg. Co., 161 W. 18th St., New York 11.
- Availability: two months.

### Folding Hand Truck

The Fold-A-Way hand truck pulls open like an accordian to a height of 42 in., squeezes down to a height of 9 in.

Where space is a problem, the truck stores under counters, seats of trucks,

**IT HAD TO COME...**

## **The utility size locomotive crane!**



If we've heard it once we've heard it a hundred times . . . from plant managers, railroad men, operating experts in a dozen fields: "We just can't afford a locomotive crane on this job . . . and yet we really can't afford to be without one!"

So that's the story behind this new utility size American Diesel crane. It's our Model 410, meaning 4 wheels and 10 tons capacity. This machine now opens the way to savings of many millions of dollars for large, medium and small industrial companies.

Although it weighs only  $\frac{1}{4}$  as much as a 40-ton machine, the 410 American Diesel is in every sense a full-scale locomotive crane. It has every "big-crane"

feature . . . plus many exclusive features of its own. It will go places no other load mover can get to; handle big jobs at amazing speed; get there and back while a big, old-fashioned crane would just be getting started. Yet you can buy its fuel for a day with the change in your pocket. And its maintenance cost is peanuts.

If you are in a small plant without a locomotive crane . . . or in a big plant where a light, low-cost auxiliary could do half the work of your big crane at a fraction of the cost . . . you'll want more facts at once. In fact, if you're anywhere where you want load-moving and car-switching at rock-bottom cost, you'll be very smart indeed to mail the coupon below.

# American Hoist and DERRICK COMPANY

St. Paul 1, Minnesota

Plant No. 2: So. Kearny, N. J.

Sales Offices: NEW YORK • PITTSBURGH • CHICAGO



**AMERICAN HOIST & DERRICK CO.**

St. Paul 1, Minnesota

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- Please send information on the American Model 410 Diesel Locomotive Crane.

Name \_\_\_\_\_

Company \_\_\_\_\_

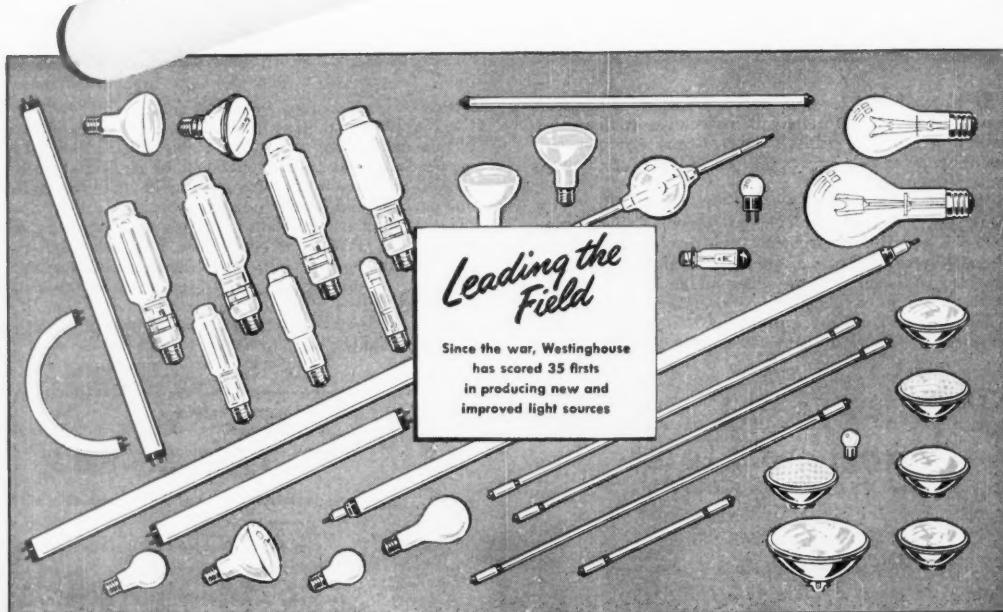
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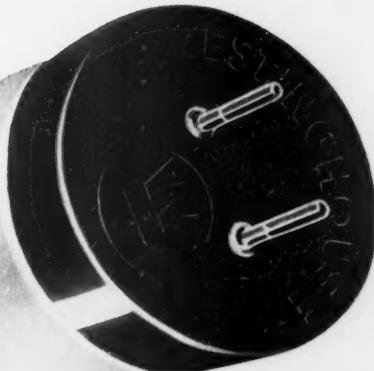
# Westinghouse

## Fluorescent Lamps

# NOW LAST 3



WESTINGHOUSE



# TIMES AS LONG!

...YET COST NO MORE!

**SAVE  
2/3**

**SAVE THIS** — one lamp now lasts  
as long as 3.

LAMP COSTS

TIME SPENT REPLACING BURNED OUT LAMPS

**SAVE THIS** — lamps need be re-  
placed only  $\frac{1}{3}$  as often.

Now Westinghouse fluorescent lamps will last  $2\frac{1}{2}$  years in average store installations . . . 3 years in average one-shift office or factory installations.

This amazing increase in life was engineered into Westinghouse fluorescent lamps many months ago.

Since then they have been under strenuous life tests —tests that cannot be hurried. Now the results are in and they prove that Westinghouse lamps last three times as long as before! Lamp Division, Westinghouse Electric Corporation, Bloomfield, New Jersey.

**YOU CAN BE SURE...IF IT'S  
Westinghouse**



## KOPPERS-ELEX Precipitators give you guaranteed recovery of valuable materials!

Now you can recover valuable materials, by-products, catalysts, etc. from industrial gases . . . get guaranteed results at any efficiency you specify . . . with Koppers-Elex electrostatic precipitators!

All over the country, Koppers-Elex precipitators are proving their capacity to make recovery profits: one plant reports efficiencies of 98% and 99% . . . even though only 95% was specified. A paper mill operator reports salvage of

\$2240 worth of soda ash a week . . . 30% better recovery than guaranteed!

Now you can get this same extra service and performance in your plant. Specify Koppers-Elex for recovery at any efficiency . . . recovery that's uniform, without night rapping! With Koppers-Elex, one company is entirely responsible for the success of your installation. Get the complete story. Fill out and mail the coupon today!

### ELECTROSTATIC PRECIPITATORS

**Koppers Co., Inc., Koppers-Elex Precipitator Dept.,  
319 Scott St., Baltimore 3, Maryland.**

Please send me free information on Koppers-Elex Precipitators.

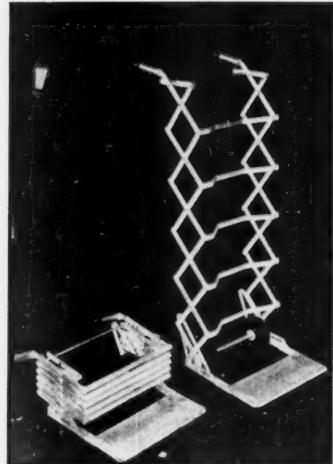
I process . . . . .

Name . . . . . Title . . . . .

Company . . . . .

Address . . . . . State . . . . .

City . . . . .



or luggage compartments. Ten trucks can be stored in the space required for two trucks of the rigid type.

A glider bar behind the wheels of the unit helps carry loads up and down stairs. The ball-bearing wheels are inside the truck, so they won't catch on passing objects.

Fold-A-Way can carry up to 700 lb., though it weighs only 25 lb.

The truck is available in two models: straight-backed for ordinary loads, and round-backed for barrels and kegs. The unit is of all-steel construction, with a rust-resistant finish.

- Source: Business Equipment Specialists, 19 W. 44th St., New York 18, N. Y.

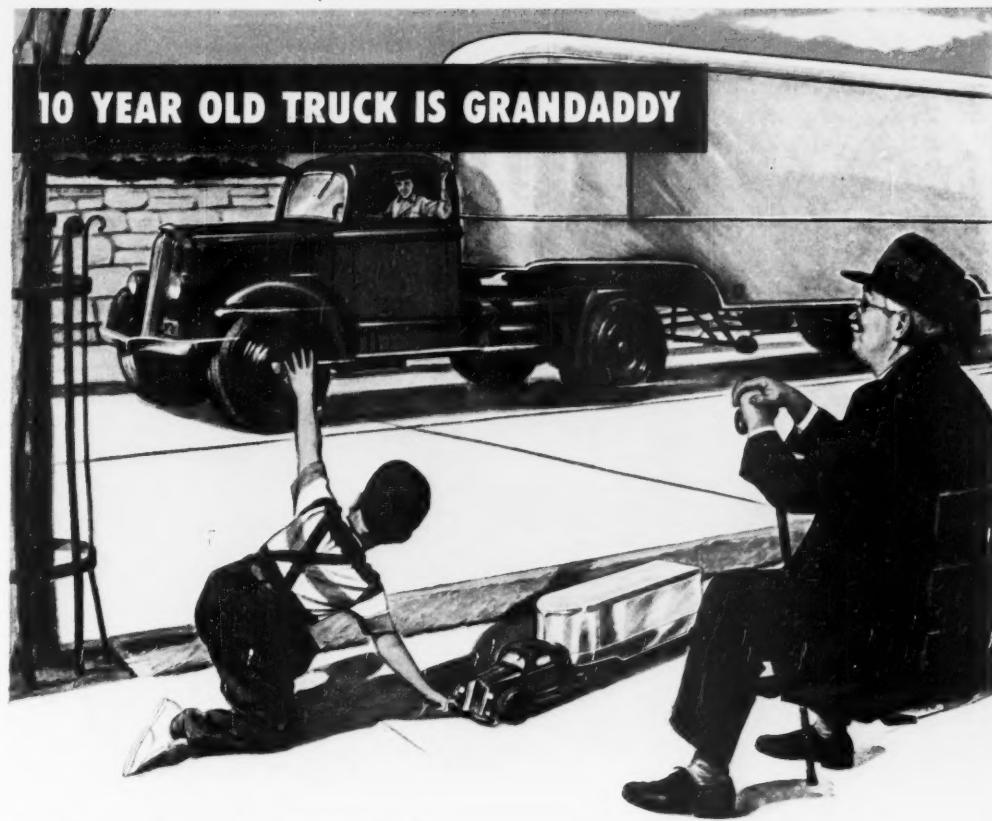
- Availability: immediate.

### P. S.

Plastic container, called Reel-Away, takes up slack in electric appliance cords. Cord fits between the two halves of the reel which are held together by a screw. By holding the top half and turning the bottom, all excess cord winds inside the reel. Its capacity is about 10 ft. The manufacturer is Eypper & Co., 93 Worth St., New York 15.

A fire sprinkler mounts flush with the ceiling to blend in with the design of a room. No part of the sprinkler head projects below the ceiling except the fusible link. The sprinkler, made from a bronze base, is chrome finished. It has Underwriters' Laboratories' approval. Viking Sprinkler Corp., Hastings, Mich., is the maker.

New line of panel meters (3½ in. size) by General Electric has scales that cover 250 deg. The long scale makes reading easier. The meters, round or square, are available in direct current, rectifier, and thermo-couple models. The line is interchangeable with standard 3½ in. meters.



**Truck-trailers used to grow old fast.  
But this new kind lives to a ripe old age  
Because ALUMINUM LASTS**

Even though you've never driven a truck, the aluminum semi-trailer looks like a natural. Weighs less. Carries more payload. But the greatest news of all is the way it *lasts*.

This is why:

Because of years of Alcoa alloy development. Mixing thousands of trial batches of aluminum with small amounts of other metals. Studying their grain structure through our electron microscope. Making thousands of fatigue tests and tensile tests. Studying their

corrosion resistance, under water sprays, salt sprays. Finding ways to roll these alloys into strong sheets, extrude them into frame members, join them together.

Worth-while, because when we got through we could say "Alcoa Aluminum lasts!"—and back it up. That makes truck-trailers and other things of Alcoa Aluminum worth buying.

ALUMINUM COMPANY OF AMERICA, 627J Gulf Building, Pittsburgh 19, Pennsylvania. Sales offices in principal cities.

**ALCOA**

**FIRST IN ALUMINUM  
THE METAL THAT LASTS**





*Mr. Campbell with tree of individual piston ring castings*

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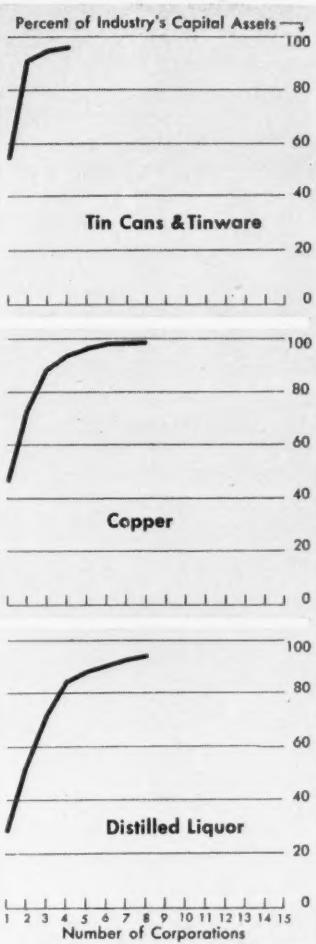
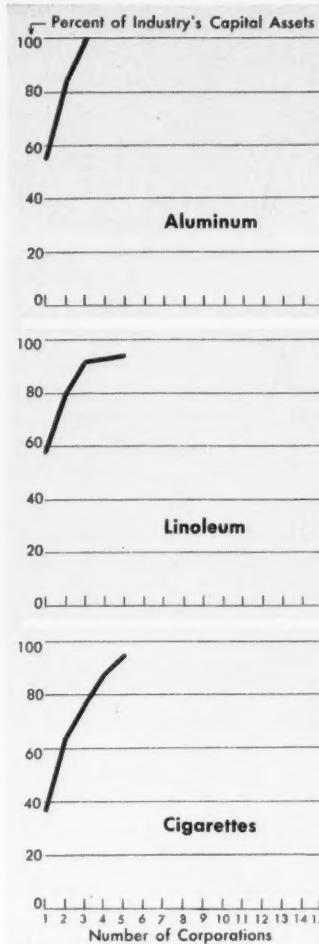
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# ANTITRUST



Data: Federal Trade Commission.

FTC REPORTS ON . . .

## The Power of the Few

The Justice Dept.'s big cases are making the news in the government's antitrust campaign these days (page 84). But for an idea of what may lie ahead, keep an eye on the Federal Trade Commission. FTC is busily rounding up antitrust ammunition, hoping that at some time in the future somebody will come along and fire it off.

• Report—FTC's latest contribution is a statistical report on "the Concentration of Productive Facilities" in manufacturing in 1947. This study covers

manufacturing as a whole and 26 individual industries. It is prefaced by an open invitation to congress to pick up with an investigation where the FTC staff had to leave off.

FTC's yardstick for measuring concentration in this report is "net capital assets." According to FTC's definition, capital assets consist of land, buildings, and equipment. They do not include such things as cash, inventories, or intangibles. Measuring on this basis, FTC finds that the 113 largest manufacturers



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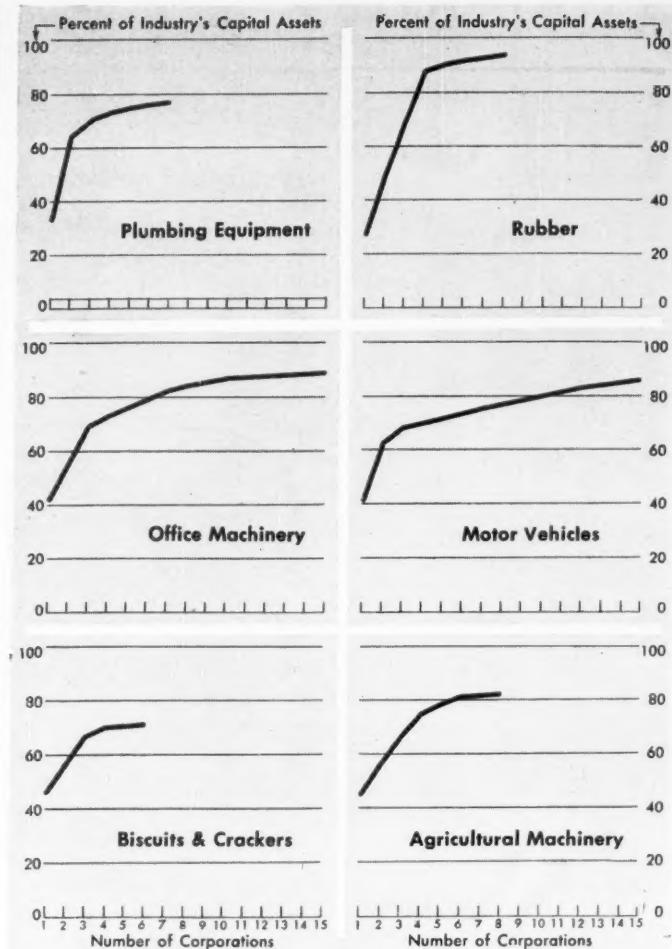
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*Data: Federal Trade Commission.*

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in the U.S. control 46% of the net capital assets of all manufacturing companies.

• **Degrees of Concentration**—Among the individual industries, it finds "extreme" concentration in 13 groups—aluminum, tin cans, linoleum, copper, cigarettes, distilled liquors, plumbing equipment, rubber tires and tubes, office machines, motor vehicles, biscuits, agricultural machinery, and meat products. In each of these industries, three companies control more than 60% of the total capital assets. The charts above and on page 81 show the top 12. In six other industries, FTC finds a "high" degree of concentration: glass, carpets and rugs, dairy products, primary steel, industrial chemicals, and aircraft. In these groups six companies control 60% or more of the total capital assets.

"Moderate" concentration shows up

in electrical machinery, grain-mill products, drugs and medicines, canning and preserving, and footwear.

"Low" concentration industries include bakery products and woolen and worsted goods. But FTC points out that, working from published reports, it could not even cover the industries, such as apparel, where concentration is lowest of all.

• **Flaws**—Statisticians will have no trouble picking flaws in FTC's analysis. The measurements are crude. And there are several theoretical bugs. For one thing, all the assets of companies operating in more than one industry were assigned to the industry that includes its major product.

But FTC's experts argue that, if anything, their measurements understate the degree of concentration in the individual industries.

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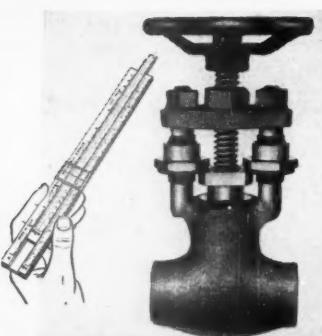
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# Where Antitrust Cases Stand

Spotlight in government fight on bigness in business shifts from Congress to the courts. Cases that will be acted on this fall and winter can have far-reaching effects throughout industry.

The antitrust spotlight has been on Congress all spring and summer. Basing-point legislation, the Kefauver-Celler antimerger bill, and Rep. Cellar's investigating committee have been making the headlines.

• **Court Cases**—But don't overlook the courts. A lot of new antitrust law is going to be written this fall and winter in federal courts around the country. And a lot of other antitrust cases are going to be argued that won't come to a decision this year.

Just last week, for instance, the Justice Dept.'s Antitrust Division filed a civil suit to force breakup of the Great Atlantic & Pacific Tea Co. A similar suit against the Big Three tobacco companies—American Tobacco, Liggett & Myers, and R. J. Reynolds—is expected soon. In perhaps a score of industries, government antitrust lawyers are asking federal judges to set up "no trespassing" signs where none stood before.

• **Wide Effect**—The final outcome of all these cases will affect the production, distribution, and selling prices of a whole raft of products that flow through many sections of industry. Among them:

Aluminum, light bulbs, cans and containers, taxicabs, shoes and leather, spectacles, milk and other food products, farm machinery, meat and meat products, chemicals, pigments, color film, roller bearings, railroad rates, gasoline, ammunition, firearms—and many more.

• **Light Calendar**—Right now, there aren't many big cases ready for the Supreme Court—as there were last year, when the court had one of its biggest sessions on antitrust cases.

The Yellow Cab case (page 87) is to be argued in November. And one other case of significance to business—Standard Oil (Indiana)—is being held up to see what Congress does with delivered-pricing legislation.

• **Discrimination**—This last case was originated by the Federal Trade Commission. But Justice takes it over in the Supreme Court, as it does all government cases. FTC lawyers won their point, in the lower courts: That a price discrimination, made by Standard to meet the equally low price of competitor, doesn't constitute an absolute defense under the Robinson-Patman Act as long as the over-all effect is a substantial lessening of competition among distributors and retailers.

Antitrust chief Herbert Bergson,

however, testified this year that he would favor making "meeting the equally low price of a competitor" a complete defense against a charge of price discrimination. And this is provided in some of the basing-point bills now before Congress. So Justice Dept. lawyers have asked the Supreme Court for extensions of time on the Standard case, to see whether Congress, by changing the law, shoots the case out from under them.

Here are the highlights of some of the more important cases on which you will see some action this fall or winter:

• **Pont, General Motors, U. S. Rubber**. In one of the biggest antitrust cases ever filed, the government seeks to sever the ties that the du Pont company and the du Pont family have—through stock ownership—with General Motors and U. S. Rubber. It will be many months before it gets to trial.

• **Aluminum Co. of America**. In 1944 the anti-trusters won a verdict that Alcoa was a monopoly back before the war, when the original trial was held. But the court decided not to go ahead with splitting up the company until it found out whether or not disposal of government-built aluminum plants created substantial competition in the industry.

Two years ago, Alcoa asked the court to declare that, since Reynolds and Kaiser got government aluminum plants, it no longer was a monopoly. The government says that Alcoa still has a monopoly of the patents in the industry, that Kaiser is still dependent on Alcoa for its bauxite, and that Kaiser and Reynolds use practically all of their pig aluminum themselves—which leaves to Alcoa 90% of the new-metal business of all the independent aluminum fabricators.

Leonard Emmerglick, government attorney in charge of the case, has suggested that there should be a fourth producer in the industry—to be carved out of Alcoa.

Whether Alcoa can be split depends on the court decision as to whether or not there's now competition in the production of ingot aluminum. If the judge says there is, then Alcoa will probably not be split. The case resumes Oct. 4.

• **American Can Co.** Justice charged monopoly in the production of tin cans and other containers. It asked the court to end the company's tie-in contracts which required a canner who leased

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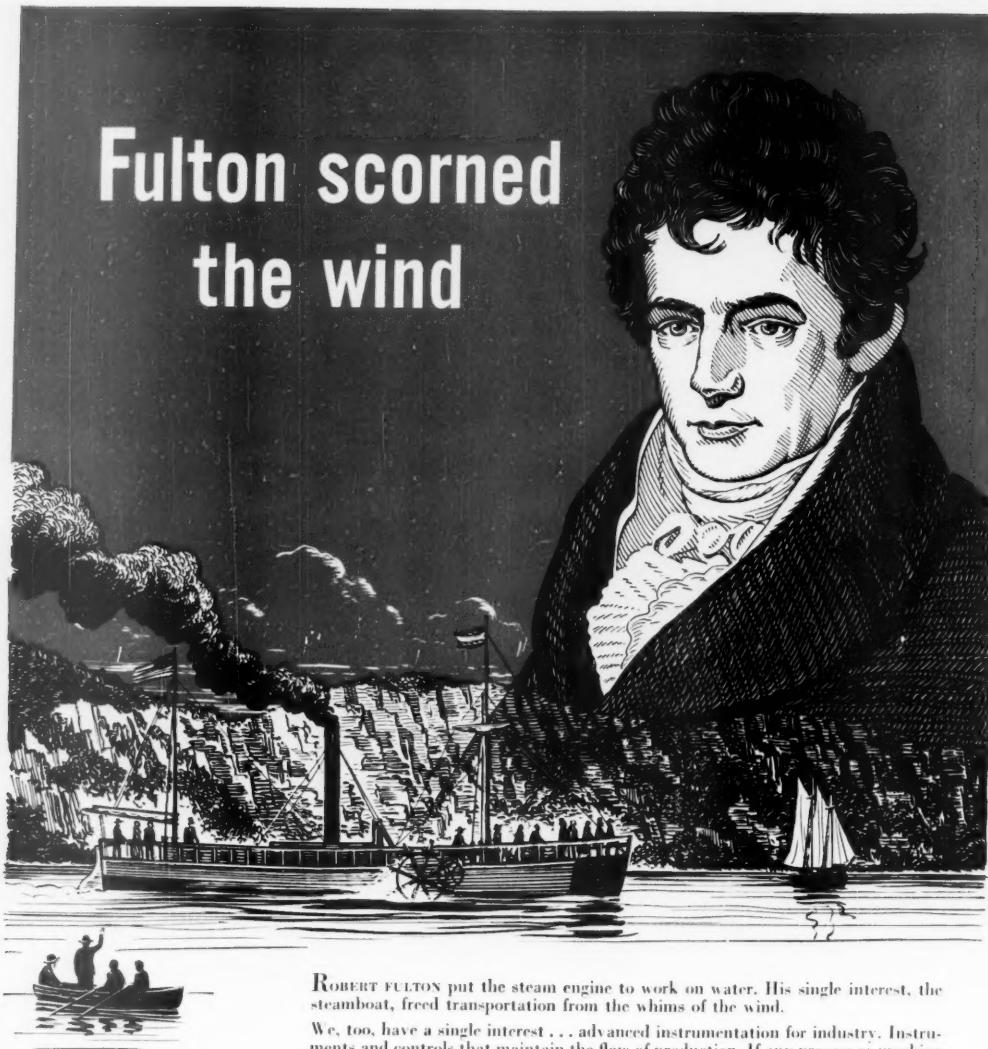
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American Can's can-closing machinery to agree to buy all his containers from American Can. The trial in district court in San Francisco ended last March; a decision is expected soon.

**Bausch & Lomb Optical Co.** The government charges the company with paying kickbacks on eyeglasses to eye doctors who prescribe the glasses. American Optical Co. signed a consent decree last year in a similar case; B. L. may, too.

**Big Four meat packers.** The government wants Armour, Swift, Cudahy, and Wilson split up into 14 separate companies. The case isn't likely to go to trial for another six months, at least.

**Chicago dairy cases.** In the first two criminal cases ever filed under the Robinson-Patman act, the government charges Bowman Dairy Co. and Borden Co. with knowingly giving discriminatory rebates, discounts, and allowances to A. & P. during the years 1942-47. The cases are likely to go to trial this winter.

**Farm machinery.** The government has cases against three farm-machinery producers: J. I. Case Co., Deere & Co., and International Harvester Co. It charges each with tying up its dealers with exclusive contracts, which forbid the dealer from taking on lines of equipment made by competitors. The Case case will be tried first, around the first of the year.

These cases are similar to the one the government won in the Supreme Court last year against Standard Oil Co. of California.

In that case, the Supreme Court held exclusive-dealing contracts illegal.

**Imperial Chemical Industries, Ltd.** The government charges the British I.C.I., du Pont, and Remington Arms with allocating territories and fixing quotas and prices on chemicals, firearms, and ammunition. Trial is scheduled for next Apr. 3.

**Investment bankers.** The government charges that 17 investment-banking firms monopolize the securities business by fixing the channels, methods, prices, terms, and conditions under which security issues are merchandised. Trial is scheduled around the first of the year.

**Technicolor, Inc.** The government charged that agreements between Eastman Kodak Co. and Technicolor, Inc., to pool their patents and know-how in the field of motion-picture color photography constituted a monopoly.

Last fall Eastman signed a consent decree requiring it to license its patents freely, to furnish technical information freely to licensees, and to sell professional motion-picture film without dis-

crimination. The technicolor part of the suit may go to trial this winter.

**Timken Roller Bearing Co.** Last March the government won a decision in Cleveland in a case charging Timken, along with a British company and a French company, with allocating markets throughout the world and fixing prices. The court will begin hearings this month to determine what kind of decree it will issue to break up the combination.

**United Shoe Machinery Corp.** The government wants the court to order the company to sell all its plants making shoe-factory supplies, and some of its plants making shoe and tanning machinery. The government is also asking that United offer to sell its machinery, instead of only leasing it—and that the court end United's tie-in agreements which require shoe manufacturers to purchase supplies only from United when they lease the company's equipment. The trial started last spring in Boston; it will be resumed next month.

**U. S. Alkali Export Assn.** The government won a decision in New York City last month that gave the first court interpretation of the immunity given to export trade associations by the Webb-Pomerene Act of 1918. The U. S. Alkali exporters entered into agreements to allocate the world market with foreign producers of sodium bicarbonate, soda ash, and caustic soda. They argued that such agreements were granted immunity from the antitrust laws by Webb-Pomerene.

Judge D. J. Kaufman held that Webb-Pomerene allows U. S. exporters to get together to foster competition in world markets—but not to get together with foreign producers to prevent such competition.

A hearing will be held this winter to determine what specific arrangements the association will be permitted to make.

**American Telephone & Telegraph Co.** The government asked in January of this year that A.T.&T. get rid of Western Electric, its wholly owned manufacturing subsidiary, and that Western Electric be split up into three competing concerns. It's likely to be a year before this one comes to trial.

**Yellow Cab Co.** The government will argue before the Supreme Court in November the case it lost in the lower courts.

The charge: Yellow Cab and five other companies conspired to get control of taxicab companies in Chicago, Pittsburgh, New York City, and Minneapolis—and used this control to compel the companies to buy all their cabs from the cab-manufacturing defendant.

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# FINANCE

## HOLC Hastens Its Own End

To speed liquidation of its remaining loans, Home Owners Loan Corp. is selling them in bulk to lending institutions. When HOLC winds up affairs in 1951, it will show about \$20-million profit.

The sale of 41,000 mortgages to a group of New York savings institutions early this month marked the beginning of the end for one of the more successful of the New Deal experiments—the Home Owners Loan Corp.

After 16 years of large-scale operations, HOLC is getting ready to wind up its affairs. And when the final figure is entered in the corporation's ledger sometime in 1951, it will be written in black ink.

• **Moratorium**—Of course, when HOLC was first set up back in 1933, it wasn't expected to make a profit. At that time, Congress had this aim chiefly in mind: to give what amounted to a moratorium to the million depression-hit families about to lose their homes through foreclosure.

Naturally, the fact that bailing out home-owners meant bailing out savings banks and other lenders, too, was an added incentive.

Under the Home Owners Loan Act, the Treasury paid over to HOLC \$200-million in exchange for the corporation's capital stock. In addition, HOLC was authorized to issue up to \$4½-billion in bonds guaranteed by the government.

• **First Phase**—The corporation's operating history falls into two clearly-marked phases: (1) lending, (2) liquidation.

For the first three years of its life—until June, 1936—HOLC kept advancing cash to home-owners unable to meet payments on the short-term, high-interest mortgages then lapsing into default. The corporation refinanced the mortgages for 15 years at 5% (later 4½%), interest and principal to be paid off in relatively small monthly installments.

All told, HOLC poured nearly \$3.5-billion into slightly more than 1-million homes in virtually every community in the land. At the peak of its lending, the corporation employed 21,000 workers in 460 branch offices and spent \$37-million a year for administrative expenses.

• **Other Effects**—This flow of government cash had secondary effects that were nearly as important as the prevention of foreclosure. About \$2½-billion passed on to banks, savings and loan associations, and insurance companies, thus saving many from collapse.

To protect its investment in many homes, HOLC had to pay off old liens, keep properties from running down. Thus, \$487-million of the total loaned went to hard-pressed local governments as payment for delinquent taxes. HOLC paid another \$203-million to cover necessary repairs to 500,000 homes, \$18-million for fire insurance.

• **Second Phase**—Late in 1936, at the end of the three-year "emergency" period decreed by the act, HOLC's lending authority expired. That's when the corporation moved into the second phase—liquidation.

For a time after lending stopped, there was little to do but collect interest, since even the first of the mortgages HOLC wrote weren't due for expiration until 1948. But as business conditions improved and family income rose, homeowners in growing numbers began paying off their loans, prematurely and in full.

Of course, despite the return of better times, there were some homeowners who couldn't keep up even HOLC's modest monthly payments. For those needing only a little help, the period of repayment was extended to as long as 25 years.

• **Foreclosures**—But in 198,000 cases, the debtors were hopelessly in arrears. The corporation was forced to foreclose and dispose of the property as best it could.

Selling the foreclosed properties was an unprofitable business. In all cases, HOLC had to pay brokers' commissions and the other selling costs. And because realty values were low at the time most of the repossessed houses were sold, the corporation had to take a loss of \$337-million.

The war boom in real estate, however, helped pull HOLC out of the red. During the early forties, it was able to unload its remaining foreclosures at a profit. Interest earned over the years was more than enough to wipe out whatever deficit remained—and still leave a profit.

• **Mopping Up**—Postwar prosperity has greatly stepped up the volume of premature payoffs. As of July 31 about \$10,000 mortgages—more than 91% of the total written—were paid up and terminated.

Now HOLC is trying hard to clean-

up the rest—and go out of business. Accordingly, it has launched a drive to persuade borrowers in thinly-settled regions—states where balances outstanding total less than \$1-million—to settle up now.

The campaign to date has been fairly successful—largely because many mortgages are about to run out and balances are small, easy to pay. In Nevada, for example, there's only one mortgage still in force.

• **Bulk Sales**—Where there are still large numbers of loans outstanding, the corporation is using a different kind of speed-up: bulk sales to lending institutions.

On Sept. 1, the first such deal—involving 40,938 New York State mortgages worth \$103.7-million—was signed with the Dime Savings Bank of Brook-

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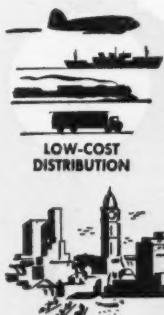


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"That's very interesting. But how do you know so much about Hammermill Bond?"

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RW-9-24

LOOK FOR THE WATERMARK

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lyn. About a quarter of these loans will be farmed out by the bank to a group of savings and loan associations.

After the transfer, which probably will take a few months to conclude, the local institutions will own and service the mortgages entirely on their own. HOLC will be out of the picture for good.

In months to come, the corporation hopes to conclude similar package deals with banks and loan associations in other states. In fact, HOLC is currently advertising for sale 9,055 Massachusetts mortgages, worth \$18.5-million; 3,011 in Connecticut, worth \$6.3-million; and 1,529 in Rhode Island, worth \$2.8-million.

• **\$20-Million Profit**—If these sales—and others still in the planning stage—go through as expected, HOLC hopes to be completely out of mortgages—and out of business—by the beginning of 1951. The corporation has already retired all but \$114-million of the bonds it issued. For the 16 years of its operation, it has earned a cumulative profit—total income minus total losses—of \$5.2-million. Current profits are running around \$900,000 a month.

At this rate, HOLC should show a final profit of close to \$20-million on the day it dies—not the \$500-million deficit once predicted.



## Heads Investment Firm

Emmett F. Connelly is the new president of American Securities Corp., New York investment banking firm. Connelly, 51, is resigning as chairman of First of Michigan Corp., which he organized in 1933, to take over his new post. He replaces Charles G. Terry, who will become chairman of the firm's executive committee. Connelly is past president of the Investment Bankers Assn. of America, and onetime president of First Detroit Co.

## Novel Sell-Lease

California wants to try it on state office buildings. It has an O.K. from the legislature, will seek one from the courts.

California's state government is taking a leaf from the book of private business. The state needs \$15-million to \$20-million worth of new office buildings. But the ready cash isn't there. And James S. Dean, director of finance, knows he can't arouse much interest in bonds for any new office buildings.

• **Sale-Lease Deal**—So Dean is studying a variation of the device by which private corporations have solved their "housing" problem without tying up a great wad of capital. That's the so-called purchase-lease agreement (BW—Apr. 17 '48, p.96).

Several big institutional investors—mainly life insurance companies—have pricked up their ears. But, like Dean, they're moving cautiously. They want to be sure there are no legal kinks.

• **Test Case**—With a pat on the back from the legislature and from Gov. Earl Warren, Dean is now working up a test case. He will make an agreement with an investor—as yet unchosen. The investor will be expected to put up an office building, on state property, and lease it to the state for a long term—possibly 40 years. At the end of the term, ownership of the building will go to the state.

When details are pulled together, Dean and the investor will ask the courts for a declaratory judgment on the constitutionality of the plan. If the courts approve, Dean expects to undertake a substantial building program. And it seems likely that other state and municipal governments would follow the trail he blazes.

• **Municipal Turndown**—Others have considered adapting the purchase-lease device to the needs of governmental bodies. But if they have succeeded, their efforts have not been widely publicized. David B. Gadlow, a San Francisco broker who has specialized in sale-and-lease-back arrangements for private business, put it up to San Francisco officials a few years ago. They concluded that their City Charter forbade a long lease. The same thing happened in Los Angeles.

Dean sees nothing to prevent him from committing the state to a long-term contract. But neither he nor the prospective investors want to turn a shovel of earth until the legality is firmly established. He cleared the first hurdle when the legislature unanimously approved a measure to lease



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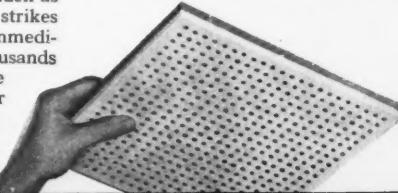
Select one small working area where excessive noise is a problem. Have a ceiling of Armstrong's CushionTone® installed there. The job can be done quickly—for as little as \$100.

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state ground, for up to 40 years, to any person or corporation.

As signed by Gov. Warren, the law specifies that the lessee shall be required to erect a building on the ground for the state's use. It adds that "title to such building shall vest in the state at the expiration of such term."

• **Difference**—California's problem differs from that of private corporations. Private firms that sell their buildings to a big investor and lease them back usually do it because they need the money, for expansion or for operating funds. Sometimes they do it to relieve a heavy fixed-assets position. Whatever the reason, the effect on their tax position is favorable. They may charge off their total rent payment as business expense. If they mortgaged the building, or sold securities to finance it, they could charge off only the interest, not the amortization.

The state, on the other hand, has nothing to fear from a tax collector. In California's case—and other states are in the same boat—the need is for ready cash. Institutional investors have plenty of that, waiting to be put to work.

• **Tired of Renting**—Dean wants the state to own its office space. Right now, California is spending \$3-million a year to rent offices from private owners. In terms of amortization and interest, that \$3-million could buy a lot of construction.

That's where Dean's plan differs from the private purchase-lease scheme. The state eventually will own the buildings. In private deals, the lessee usually has an option to extend the original term of the lease at sharply reduced rentals. But only in those few cases where a repurchase option is included does the lessee contemplate eventual ownership.

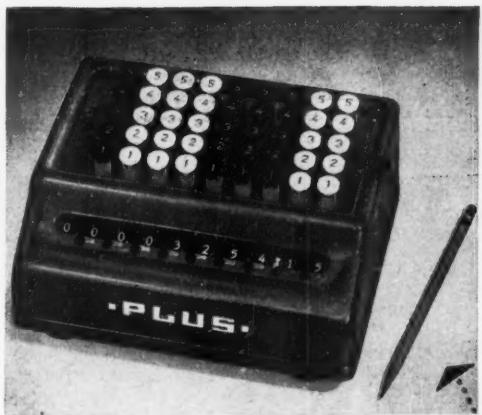
### BANK TEACHES TEACHERS

When a Federal Reserve bank tells college professors how the Federal Reserve system works, it's news. Usually the professors try to tell the Federal how it ought to operate.

The Federal Reserve bank of Minneapolis decided that economics professors—and their students—ought to know more about the practical operation of the system. So they asked a board of educators to pick 11 economics professors from colleges in the bank's area.

Last week the professors wound up a nine-day tour as guests of the bank. They started with two days in Minneapolis, studying Federal Reserve bank services to member banks.

Then the class shifted to New York to two days' behind-scenes observation of open-market operations and the handling of foreign accounts. The professors finished up in Washington, looking over the Federal Reserve Board.



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## FINANCE BRIEFS

**Financing plans** of the N. J. Bell Telephone Co. have been upset by a ruling of the state Board of Public Utility Commissioners. The board has refused to let Jersey Bell pay a debt to the parent company by selling it \$40-million in common stock. The board says a bond issue would be cheaper.

**Tucker Corp.'s chances** for reorganization are "extremely doubtful," its trustees report. They say that the company has practically no current assets, that it would take another \$71-million to start mass production of cars.

**Bucking a trend**, the city of Syracuse has decided to give up the city's sales and use taxes. They'll go out of operation next February.

**Consolidated Edison Co. Inc.**, of New York, earned \$9.4-million in the June

quarter, compared with about \$6.6-million in the 1948 period.

**Hemphill, Noyes & Co.**, New York investment banker, has announced plans to buy Graham, Parsons & Co. The new firm will be known as Hemphill, Noyes, Graham, Parsons & Co.

**Illinois Central** is thinking of refinancing \$52-million of bonds which mature in the next six years. The refunding would be in the form of a single mortgage-bond issue, maturing serially in 1975-1979.

**Life-insurance sales** took a sharp drop in July, compared with the same period in 1947 and 1948, according to the Life Insurance Agency Management Assn.

**Textron, Inc.**, reports a consolidated net loss of about \$3.3-million for the first half, compared with earnings of \$3.8-million in the same period last year.

## Paper Profits Off Sharply

The first six months of 1949 was not a happy time for paper manufacturers. Except for a few, sales declined, some quite sharply. Faced with drooping demand, manufacturers cut prices 5% to 10% in most lines, and retired marginal mills from production. In nearly every company, sales and profits dropped faster in the second quarter than in the first.

Exceptions: Newsprint is no longer a black market item, but list prices are holding. Tissues are still in short supply. Paper cup prices are holding.

The decline in sales and the price cuts have meant an even greater de-

cline in profits (table). The reason is that most costs haven't dropped. Wages, for instance, are now higher than they were last year.

About 13% less paper and paperboard was produced in the first half of 1949 than in the 1948 period. But now production is climbing again. August was the best production month so far this year—although it was about 8% below last August.

This week, the American Pulp & Paper Assn. reported that for the week ending Sept. 10 paper mills (exclusive of newsprint) were operating at 75% of capacity, about the same as last year.

Paper	Sales 1949 vs. 1948				Net Profits (In Thousands)			
	First Quarter		Second Quarter		First Quarter		Second Quarter	
	Quarter	Quarter	1949	1948	% Change	1949	1948	% Change
Robert Gair Co. ....	-12.1%	NA	\$1,057	\$1,393	-24.2%	\$803	\$1,470	-45.4%
International Paper. ....	+4.5	-15.9%	13,815	13,313	+3.8	10,834	14,400	-24.8
Kimberly Clark. ....	-0.4	-10.2	1,535	1,822	-15.8	1,898	2,237	-15.2
Mead Corp. ....	-3.7	-16.5	948	1,127	-15.9	404	1,176	-65.7
St. Regis Paper. ....	-13.7	-28.2	2,205	4,494	-50.9	997	4,251	-76.6
Scott Paper. ....	+27.4	+8.8	1,177	719	+63.7	1,343	1,024	+31.2
Union Bag & Paper. ....	-18.6	-31.6	2,167	3,652	-40.7	1,091	3,621	-69.9
W. Va. Pulp & Paper* ..	+4.5	-4.7	3,397	4,331	-21.6	2,725	4,506	-39.5

### Containers

Container Corp. ....	-16.4	-13.3	1,974	2,113	-6.6	1,636	2,103	-22.2
Dixie Cup. ....	+12.1	+30.9	NA	NA	NA	NA	NA	NA
Lily-Tulip Cup. ....	-0.7	+25.0	162	189	-14.3	586	564	+3.9
National Container. ....	-27.0	-27.2	585	1,831	-68.1	553	1,754	-68.5

### Pulp

Rayonier. ....	-13.4	-29.4	2,016	2,461	-18.1	1,467	2,552	-42.5
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\*Quarters ended Apr. 30 and July 31. NA—Not available.



## The 'Pony Express' of Kublai Khan . . .

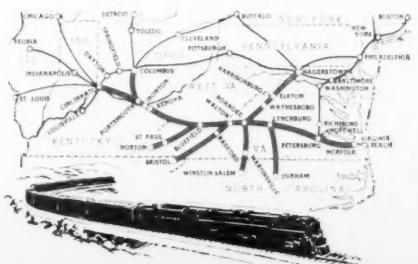
When Marco Polo visited the fabulous Asiatic empire of the Great Khan in the 13th century, he found that no fewer than 200,000 superior horses were distributed at posts throughout the realm, in groups of about 100 at each vamb, or post-house . . . in order that all messengers going and coming upon the business of the Great Khan, and all ambassadors would have relays. Leaving their jaded horses, they were supplied with fresh ones. Of the 100 horses at each vamb, half were on pasture, and in turn, took their duty and relieved others.

Of course, the modern railroad dwarfs the Kublai Khan's "pony express." Yet on the Norfolk and Western Railway, in the reliability and availability of motive power, there exists a recognizable parallel. The N. & W. designs and builds its own powerful, modern, coal-burning steam locomotives, and assures reliability for the specific job they must perform. Their availability is assured by the most rigid inspection and maintenance.

With 530 locomotives — less than half the number it operated 27 years ago — the Norfolk and Western is handling more than twice the volume of freight business (measured in ton miles). The railroad is proud of this record, which speaks for itself. For example, in 1948, the railroad handled more ton-miles of freight per train hour than any American railroad one thousand miles or more in length. This is convincing evidence of Norfolk and Western motive power's capacity for service — the result of N. & W. policy of building the best locomotives it can for the job, and maintaining them in top-notch condition.

This motive power — reliable and available — is one of the indispensable factors of Norfolk and Western Precision Transportation . . . the efficient and dependable rail service which shippers and travelers can rely upon.

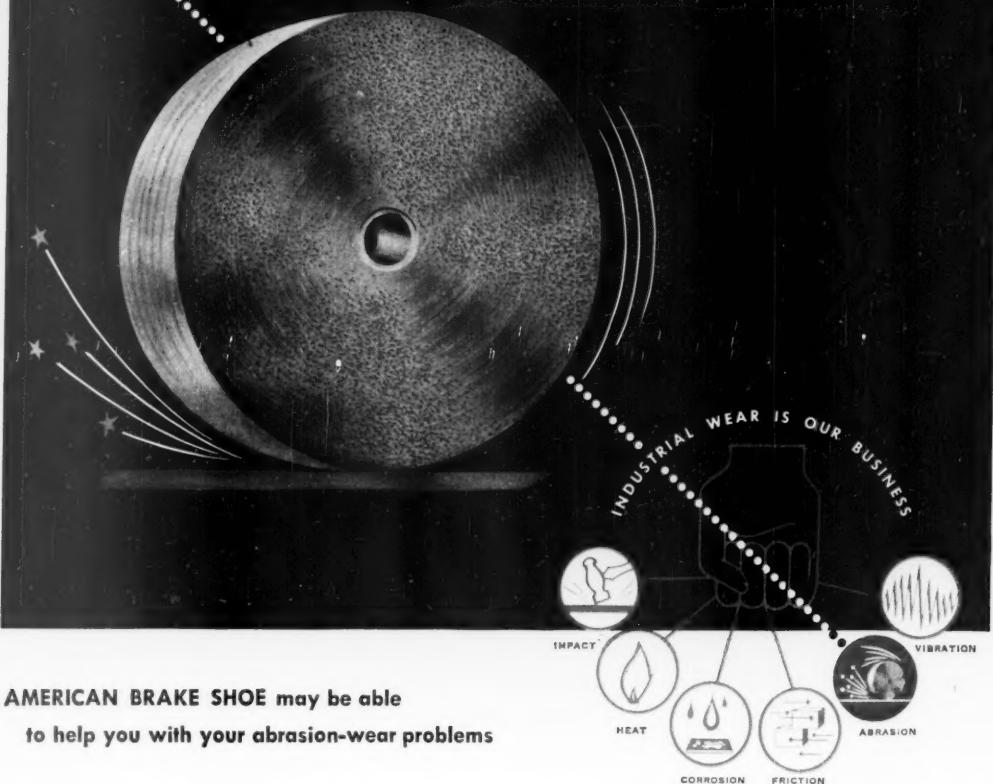
In the N. & W.'s Roanoke, Va., Shops 19 new locomotives have been built in the past 18 months. 16 others are now being built and on order. When they are completed, the Norfolk and Western will have spent \$8,650,000 on new and improved motive power since the end of the last war.



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# THE MARKETS



## Strike Threats Nip Stock Rally

Wall Street knows that strikes are deflationary now, could interfere with business recovery. So industrials and rails break. Effects of devaluation are minor; gold shares move up.

Strike news set the stock market back on its heels this week. The devaluation of the pound caused a lot of excitement—but without any great effects one way or another. The coal miners' walkout and the deadlock in steel were something else again.

• **Nipped**—Mounting worry over the labor situation nipped off last week's rally in stocks just when the bulls were beginning to think they were getting somewhere. On Tuesday of this week the market took its worst break since the post-election tumble last fall. The Dow-Jones industrials spilled 3.38 points; the rails lost 1.24 points. By the end of the day, both averages were back just about where they were early in August.

Wall Street's ancient motto is "never sell on strike news." In the early stages of the postwar boom that was good advice. Then, lost production simply gave an extra boost to inflation.

Even in 1948, strikes weren't especially bearish. You could have made a nice profit by picking up coal-mining

or meat-packing stocks in March, 1948, at the beginning of the big strikes in those two industries (BW—May 15 '48, p106).

• **Change of Heart**—But now traders are convinced that any major strike is bad medicine, not only for stocks but for business in general. Now lost production means lost profits; and lost wages mean lost purchasing power. A long strike in a basic industry might

### Security Price Averages

Stocks	This Week Ago	Month Ago	Year Ago
Industrial	148.2	154.2	148.5
Railroad	37.8	39.1	37.9
Utility . .	77.3	78.1	75.4
			70.2
Bonds			
Industrial	99.3	98.4	98.0
Railroad	82.0	82.0	82.5
Utility . .	98.8	98.8	97.8
			94.3

Data: Standard & Poor's Corp.

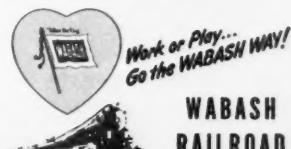


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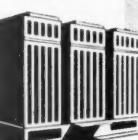


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easily kill off the business recovery that is just getting under way.

• **Commodities**—The break in the commodity markets—caused by the devaluation—didn't help Wall Street's peace of mind. There is no direct tie-up between commodity prices and stocks. But it always makes stock traders uneasy to see other markets tumbling.

The only other effect that devaluation had on the stock market showed up in the gold mining shares. They were strong. Some even managed sizable gains while the rest of the list was on the skids.

Canadian gold mines, such as McIntyre Porcupine, will get a direct boost from devaluation. With the cut in the gold value of the Canadian dollar, the price of their product automatically jumps from \$35 an ounce to \$38.50 (Canadian) an ounce. American gold mines get no such hike, of course. But their stocks went up sympathetically.

• **Shorts**—The New York Stock Exchange statistics on the short interest gave the bulls something else to worry about this week. In the month ended Sept. 15, the short position grew by 127,581 shares. It now stands at 2,133,700 shares. That's bigger than it has been for more than 17 years.

A big short interest works both ways, of course. On one hand, it means that there is heavy betting among stock traders that prices are going to come down. And on the other hand, it means

that sooner or later there will have to be some large-scale buying to cover the short sales that have been made and close out the positions. This buying could put a nice cushion under a decline if shorts decide to cover then and take their profits. Or it could put extra pep in a rally if the shorts change their minds and start covering to cut their losses.

If the bears win out, though, the market will have to drop a long way before any substantial short covering comes in. A large part of the present short interest was put out before the last rally, when the industrials were floundering around in the neighborhood of 160-170.

• **Targets**—Steel and autos were the favorite targets for the short sellers in the past month. The short interest in Chrysler rose almost 6,000 shares, in General Motors 5,000, and in Studebaker 7,500. In Bethlehem Steel the rise was close to 9,000 shares, in U.S. Steel 5,000.

For the next couple of weeks or so, the market is going to be watching the labor news, and the chances are that technical factors won't have much to do with the way the averages go. If there is a long strike in any of the big basic industries, you can look for trouble and plenty of it in the stock market. If the strike threats blow over, there is a good chance that traders can pick up their rally where they left off and make something out of it.

## Coal Earnings and Stock Prices: '49 vs. '48

Even before John L. Lewis' three-day week started July 1, earnings of many soft-coal companies had declined from last year's levels. Then the three-day week lowered soft-coal output by 30% to 40%. And this week brought more labor trouble to the industry (page 100).

But fixed costs still have to be met. That's why soft-coal prices are now higher than they were last year. This is no help to the industry in meeting strong competi-

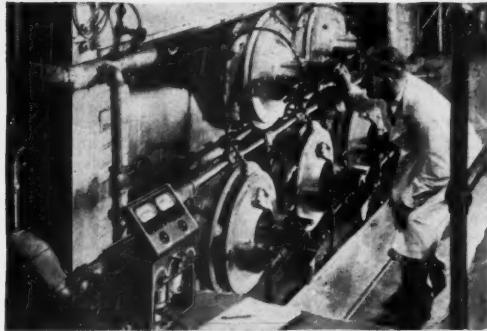
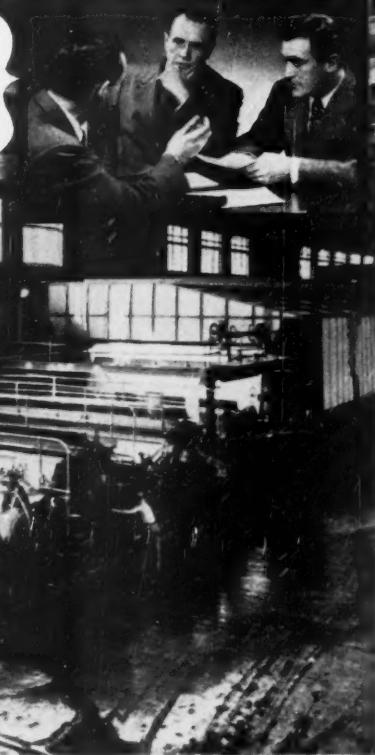
tion from fuel oil and natural gas. Current predictions are that earnings of the soft-coal companies will drop sharply during the second half of this year.

The representative hard-coal companies fared worse than the soft-coal producers during the first half. Though not as badly hit by labor difficulties, the industry finds that demand for anthracite is below last year's level. Most mines are working only two or three days a week.

	First-Half Net Profits		Common Stock Prices			
	1948	1949	Percent Change	1948 High	Now	
<b>Anthracite Producers</b>						
Glen Alden.....	\$3,012,554	\$1,660,775	-44.9%	25½	18½	-29.3%
Lehigh Coal & Navigation	1,513,393	725,991	-52.0	13½	7½	-40.6
Lehigh Valley Coal.....	778,006	ds52,503	-171.0	4½	2	-57.9
Phila. & Reading C. & I. ....	2,388,591	1,630,066	-31.8	21½	14½	-30.4
<b>Bituminous Producers</b>						
Island Creek.....	2,694,451	2,934,205	+8.9	39½	28	-29.6
Pittsburgh Consolidated.....	8,113,614	8,395,117	+3.5	36½	28½	-21.8
Pittston Co. ....	2,283,099	1,091,351	-52.2	46½	21½	-53.0
Pond Creek Pocahontas.....	1,538,052	1,526,369	-0.8	46	63	-6.5
West Virginia C. & C. ....	732,907	954,765	+30.3	22½	14½	-37.4

d—deficit.

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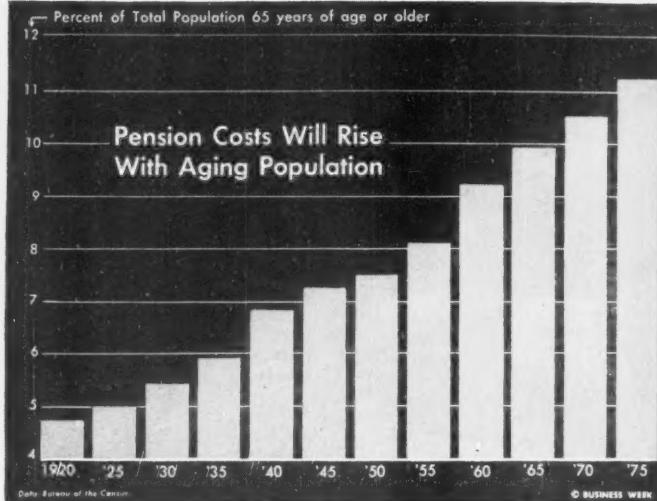
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# LABOR



Pension dispute in steel triggers . . .

## Fourth-Round Crisis

In coal and rubber major strikes are underway. Steel, autos, and electrical manufacturers all face threats. Behind upheaval is question of who pays pensions, welfare grants.

This was the week the long-deferred fourth-round labor crisis struck with a vengeance.

For more than 100 days negotiations had been dragging along in industries that employ, all told, close to 5-million workers. At issue was the question of how much labor costs would rise—the fourth time the question has come up since the end of the war. Now the climax was at hand.

This was the picture at midweek:

- Close to 500,000 soft- and hard-coal miners were on strike.
- Nearly 1-million steel and fabricating-plant employees were on notice from their union that a strike was in the offing.
- The auto union put the Ford Motor Co. on notice that unless there was a satisfactory new contract within 10 days, the company would be shut down.
- The electrical manufacturing companies awaited completion of the formality of a union-held strike vote.
- The Goodrich strike, which could set terms for the whole rubber industry, was rounding out its first month.
- **Clouded Scene**—Almost overnight the labor outlook had darkened. The steel

companies decided to resist the recommendations of the fact-finding board appointed by President Truman. The decision came after 48 hours, during which hardly a dissenting voice had been raised against a chorus of praise for the fact-finders' moderation.

Steel took the fact-finders' rejection of a wage increase in a more matter-of-fact way than any major employer victory has been taken in years. But the industry refused to swallow a pension system financed exclusively by employer contributions. That refusal changed the outlook abruptly.

• **Reactions**—The first reaction came from Philip Murray. He would postpone again, a twice-extended strike date but he would settle only for the fact-finders' recommendations (4¢ an hour in welfare benefits and 6¢ in pensions) and nothing less.

The second reaction came—not unexpectedly—from John L. Lewis. Playing his own inscrutable game, he barked at the coal operators and a coal strike began. The Southern operators had refused to make 20¢-a-ton payments into the mine-welfare fund. Lewis simply announced that the fund income could



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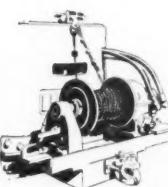


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no longer cover its obligations and further outlays would be suspended. That was enough. "Spontaneously," the disciplined miners stayed home.

• **Lewis' Reason**—Why did Lewis do it? The primary effect of his action is to make things tougher for Murray. If the steel industry has to think about banking blast furnaces because of fuel shortages, it will be under less urgency to make a settlement with the steelworkers union.

Lewis has been without a contract since June 30. He has allowed the mines to work a three-day week. In all that time, the operators never heard his new contract demands. He was waiting for coal stocks to dwindle and enhance his bargaining position.

Lewis has his heart set on getting a "stabilization authority" for bituminous production as much as possible like the arrangement he has in the anthracite fields.

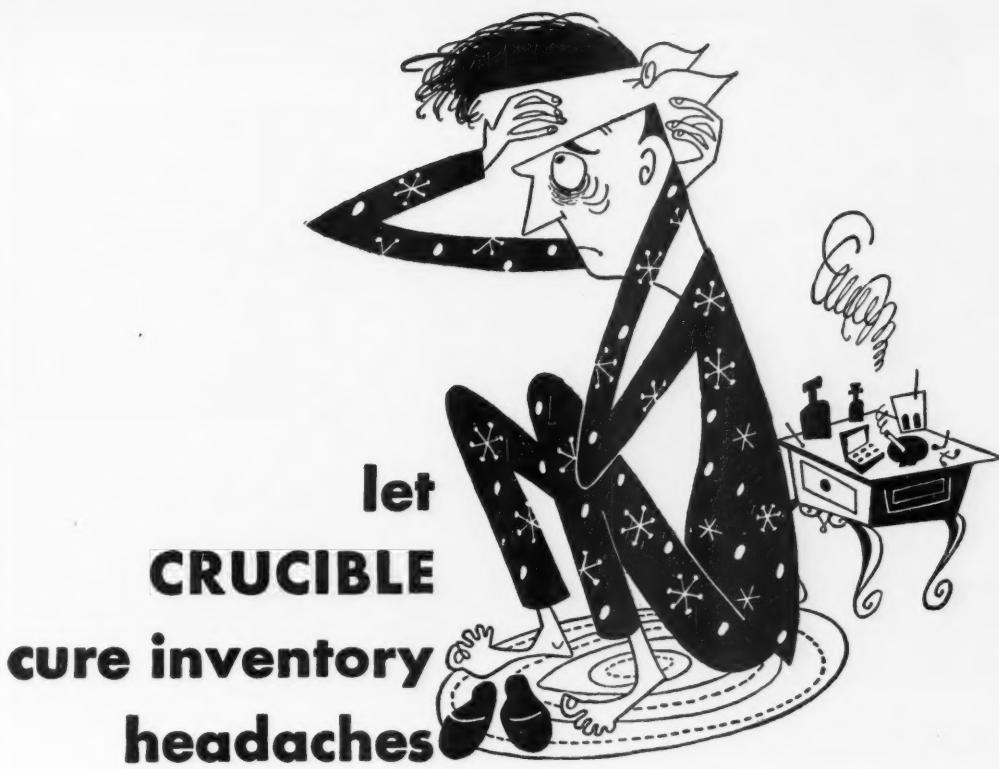
Under such a set-up the union shares authority with the operators to schedule production. From the Lewis point of view, the virtue of such a device is that it spreads lay-offs and available work over both high-cost and low-cost mines and thereby gives all the miners the same weekly pay.

• **Hulking Shadow**—The shadow of Lewis over steel-labor conferences now going on in Washington under Federal Mediation auspices, is both a pain and an embarrassment. It is a pain to Murray clearly enough. But to the employers it is a distinct embarrassment.

The principle of employee contributions to pension funds, for which management is fighting, was abdicated in the steel-owned captive mines.

In May, 1946, Lewis got his welfare fund by an agreement with Secretary of the Interior Krug, who ran the mine properties after a government seizure. A year later, under the leadership of U.S. Steel, the private operators agreed to continue the fund on the same tonnage-financed, noncontributory terms. The companies then got their properties back from the government.

• **Possible Settlement**—Steel's reluctance to assume again the total obligation for pension and welfare benefits may re-inject wages into fourth-round negotiations. If the companies—and the union—persevere in their position, an ultimate settlement may look something like this: a 5¢-an-hour company contribution to pension and welfare funds, a 5¢-an-hour wage increase, and 5¢-an-hour payment by workers to a pension fund. Such an agreement would put the same amount of money aside for pensions and welfare as the fact-finders recommended. It would increase employer labor costs by the same amount. It would cost employees no part of their present income. And it



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Two quarter-century concrete streets.  
Upper photo: Sixth Street, Sheboygan.  
Lower Photo: Milton Avenue, Janesville.

## A tale of two cities...how **CONCRETE** saves taxpayers money

THERE'S A NEW "tale of two cities" in Wisconsin that's of real interest to motorists and taxpayers. These two cities, Sheboygan and Janesville, have kept accurate records on street maintenance costs for many years. Their records show that it costs only 12% to 30% as much per mile per year to maintain concrete streets as it does to maintain the other types of pavements in the two cities.

Hundreds of other cities have found that concrete streets render low-maintenance-cost service. Low upkeep cost also is an important feature of concrete houses, churches, schools, factories, hospitals, public buildings and farm improvements. Concrete's low maintenance cost, longer life and moderate first cost result in **low annual cost**.

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### **PORLAND CEMENT ASSOCIATION**

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would put the fund on a levying basis.

Meanwhile, mounting pressures in coal and steel are having their effect on the labor picture in autos, electrical manufacturing, and rubber.



### Autos

The steel fact-finders' report made a major impact on the bargaining that has been going on between Ford and the C.I.O.'s United Auto Workers since June. The union had been asking wage, welfare, and pension concessions of about the same size as those sought in steel. Refusal of the company to make a pension offer kept the negotiators miles apart.

After the recommendations in steel, however, Ford made a pension offer—negotiations took a serious enough turn to schedule week-end meetings for the first time since talks started. The report that Ford had agreed to the pension principle was notable.

This week, the union served formal notice of intent to strike next week. The action, though, looked like a pressure move designed to make the company produce its best offer fast. Detroit doesn't expect a strike; indeed, there was some likelihood that Ford and the U.A.W. would make the fourth-round's first major settlement.



### Electrical Manufacturing

United Electrical, Radio & Machine Workers (C.I.O.) bargaining began five

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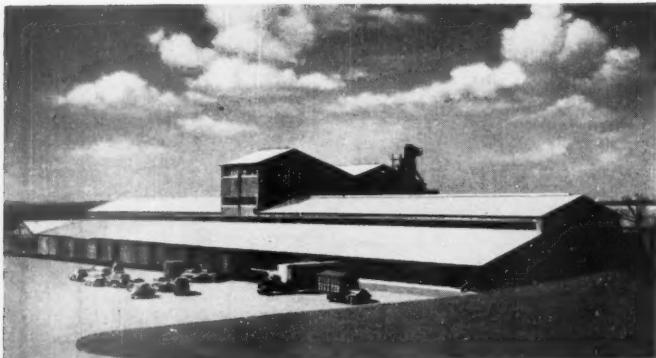
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months ago with two major employers—General Electric Co. and Westinghouse Electric Corp. There has been no appreciable progress. The U.E. found no encouragement in the steel fact-finders' recommendations. It blasted the proposed steel settlement terms for suggesting an "unacceptable wage freeze." And it blasted the steel union for agreeing to forego wage increases. U.E. was being tough and sectarian as befits the country's biggest Communist-line union.

A lot of U.E. bargaining energy has been dissipated this year in internal feuding between the left-wing leadership and a right-wing faction. Whether U.E. will be able to take a strong strike position depends, in large measure, on how well it weathers the fight.



## Rubber

A package settlement very much like the steel recommendations will probably be the solution to the Goodrich strike. The company has already made a package offer, and the United Rubber Workers (C.I.O.) has taken it under "favorable consideration." It appears the union is abandoning its wage-increase demands and will confine itself to welfare and pension concessions.

In making its package offer, Goodrich was in a better spot than other companies in the industry, or most employers outside. It already has an employee-benefit plan which the union admits is the best in the rubber field.

## BELL STRIKE WINDING UP

After three violence-filled months, the Bell Aircraft strike in Buffalo is coming to an end. The agreement, worked out by state and federal mediators, settles none of the issues that led to the walkout. It provides that work will be resumed and negotiations started all over again.

If no agreement is reached, the company has said it would be willing to submit the dispute to a fact-finding board. At stake are rates of pay, pension, and welfare matters which may set a pattern for the aircraft industry.

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for Atlas sorbitol—a sugar alcohol with many important advantages over other conditioning agents. For example, sorbitol picks up moisture more slowly at high humidities; loses moisture more slowly at low humidities. Sorbitol "stays put" to provide permanent conditioning and does not break down or evaporate in use. What is more, the price trend of Atlas sorbitol has been steadily downward.

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The dividend on the Common Stock is at the rate of 30c per share and is payable October 1, 1949 to stockholders of record at the close of business September 16, 1949.

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MILTON L. SELBY, Secretary.

September 1, 1949.

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BUSINESS OPPORTUNITIES offered or wanted, personnel, financing, equipment, etc., may be found in *Business Week's* clues.



BRAZILIAN TRAINEE Aleksey Bautzer (center) reports to L. L. Loiselle (left), Dept. of Labor, and H. B. Cummings, United Engineering & Foundry Co., as ...

## Visitors Learn U. S. Skills

Latin Americans, working alongside U. S. employees, find out how it's done in U. S. plants. Dept. of Labor's foreign-trainee plan pays off in good will and more export orders for the U. S.

Aleksey Bautzer, chief planning engineer for a big engineering firm in Rio de Janeiro, needed some practical training in the construction and mounting of heavy machinery. He found that he could get it best in this country. So several months ago he applied for a trainee-award under a U. S. industrial training program for foreign nationals. He was accepted and now is learning American know-how on the job in a United Engineering & Foundry Co. plant in New Castle, Pa.

Many other foreign engineers and technicians work for other American companies under the same program. And the plan is beginning to pay off in more good will, and more orders, in Latin America.

• **Picking Trainees**—Before 1948, Latin-American technicians wanting on-the-job training could get it in this country either on their own or through agencies set up to help the exchange program. The industrial training program was started in 1941 by the Coordinator of Inter-American Affairs, under the State Dept. A private agency handled the program first. Then the Dept. of Commerce took over.

Finally, in July, 1948, it came to rest in the Bureau of Apprenticeship of the Dept. of Labor—mainly because the bureau has a large field staff that keeps it in touch locally with both management and labor. Applicants first are

screened in their own countries under U. S. Embassy approval. Then applications go to the State Dept. for clearance. The bureau makes the final awards.

• **On the Job**—Foreign trainees work in plants they choose—or in plants that the Dept. of Labor thinks can best give them the training they want. Trainees are treated as regular workmen. They are encouraged to mix with other plant employees, even take part in union affairs. Object: to help build up an appreciation for U. S. democracy while teaching trainees the high standards of U. S. workmanship.

On-the-job training is given by regular plant supervisors—from the plant superintendent on down through foremen to journeymen.

Bautzer is the first Brazilian to come here under the program since the Bureau of Apprenticeship took over. When he has finished his course, he will go back to Brazil, to take charge of machinery installation work on the San Francisco River project—somewhat akin to the Tennessee Valley Authority in this country.

The Pictures—Acme—117, 120 (1); Wide World—120 (2); Dick Wolters—19, 20, 21, 49.

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FEEDING METAL into machines signals end of walkout and victory for publishers.

## Chicago Printers Give In

Peace with Chicago newspapers is I.T.U.'s acknowledgment that Taft-Hartley law is here to stay, for a year or so anyway. Printers get \$10 a week, but don't disguise fact that strike failed.

Chicagoans again were reading their news from papers printed with regular type this week. And those newspapers were concrete evidence that the Taft-Hartley Act has a considerable life expectancy.

• **Two-Year Battle**—The Chicago newspapers had been printed by the Vari-type process since November, 1947 (BW-Dec. 6 '47, p.114). It was then that the International Typographical Union (A.F.L.) demanded a new contract, one that the Chicago publishers thought was illegal under Taft-Hartley. I.T.U. has been so bitterly opposed to T-H

that its anti-Communist leaders have even refused to file non-Communist affidavits. Rather than accept the publishers' counterproposals, the I.T.U. struck—and waited. What it was really waiting for was repeal or amendment of the T-H law so that it could preserve closed shop practices that the union has lived by for generations.

A tangled trail of negotiations and litigation marked the course of the marathon strike. The newspapers adapted themselves to the Vari-type process and kept their Linotype machines under canvas. The union spent an estimated

\$13-million in paying strike benefits to its members, and those members lost about \$14-million in wages.

• **Why Capitulate?**—An unfair labor practice charge of refusal to bargain is pending against the I.T.U. before the National Labor Relations Board. Expectancy that this case would go against the union may well have been one reason for the timing of I.T.U.'s strike capitulation. But the most important reason was a feeling that the law won't be changed before 1951 at the earliest. Having come with bitter reluctance to this conclusion, the I.T.U. accepted an offer from the publishers that was just about the same as one it had turned down five months before. What had happened in the meantime was Congress' refusal to amend the Taft-Hartley Act.

• **Terms**—The Chicago printers got a \$10 a week wage raise under the new contract (which must be considered a second, third, and fourth-round increase) but lost their right to control job placement through the closed shop.

Although the I.T.U. issued some cheerful statements last week, there was little effort to disguise the defeat within the organization. It would be useless to draw on I.T.U.'s experience for general conclusions about the effect on a union of a long strike ending in defeat. A highly disciplined organization that has learned to retreat as well as advance, the printers offer no clew as to how newer, less experienced unions will survive similar catastrophes.

## Change of Heart

Some unions are again favoring job-evaluation programs. They feel pay hikes may result.

Now that prospects for across-the-board wage boosts are fading, many unions are taking a new attitude toward job-evaluation programs.

• **Cordial**—Not since the days of the old National War Labor Board have unions been so cordial to systems for determining the dollar-and-cents value of jobs. The National Foremen's Institute found that out in a study completed this week. This is why the unions are warmer:

Job evaluation usually finds some jobs out of line; when pay is adjusted, it adds a few cents an hour—sometimes more—to a plant's average.

Job evaluation sometimes shows that technological improvements have added to productivity, and that more pay is in order.

Furthermore, union leaders now feel that enough shop stewards have had union courses in job evaluation so that

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# INTERNATIONAL OUTLOOK

BUSINESS WEEK  
SEPTEMBER 24, 1949



Now that the world is trading with "real" money, Washington is up against the problem of helping keep it real.

Would the goal of multilateral trade be reached if pounds, francs, guilders, etc. were freely convertible into dollars now?

Or must we wait until Europe's trade with the U. S. is brought into balance—until "equilibrium" is achieved, as Sir Stafford Cripps wants?

Those U. S. officials who think it is now or never argue:

If we don't act now, the opportunity may be lost. Soon the pound and other European currencies will again be selling at a discount in a "free" market (BW-Sep.3'49,p89).

Roughly \$5-billion in Marshall Plan funds might be used to support convertible currencies—if Congress were willing to turn the Marshall Plan into a banking operation. Congress would be asked to appropriate funds next year for the last two years of the plan. The money could replenish Europe's currency reserves, or back a currency stabilization fund.

The State Dept., ECA, and some Treasury officials are for going slow on convertibility.

They feel that as long as a big part of the world has a severe dollar shortage, convertibility schemes wouldn't work. Trade balances must be evened out first.

This group thinks convertibility must go hand-in-hand with confidence. It takes time to build up confidence. You can't legislate or decree it.

If convertibility were tried now, State and ECA think:

(1) Many countries would try to cut imports from Britain and the sterling area to get a surplus in pounds. With these they could demand dollars from the Bank of England. Pretty soon the bank would have to buy dollars to cover—and thus drain its slender gold reserves.

(2) Even if convertibility were limited to current trade, there would be a leak of capital.

British gold and dollar reserves now are barely enough to cover the day-to-day needs of the sterling area. The strain resulting from convertibility would be too much—unless the U. S. gave Britain Fort Knox.

Convertibility of currencies within Western Europe looks nearer.

ECA is confident that this step can be taken in a matter of months. It would be meshed with the drop in trade barriers that's due this fall.

Convertibility won't be Europe-wide, though.

Britain isn't ready to go along just yet. Neither are Denmark, Norway, Sweden, and maybe the Netherlands.

Belgium, France, and Italy will be the nucleus of any free-currency group.

This trio (plus the Netherlands rather reluctantly) has had a convertibility scheme on the fire since last spring. It even includes the free movement of capital.

Belgium's decision to devalue only 16% makes it easier to carry out these plans.

The new Belgian franc rate should shrink Belgium's export surplus. A deeper cut would have meant Belgium wanted to continue selling much more

# INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK  
SEPTEMBER 24, 1949

than it bought. Convertibility would have been tough on France and Italy.

And some French circles are now very anxious to get together with Belgium and Italy. The drastic reduction in the pound dollar rate caught them by surprise. They want to protect themselves against what they consider a competitive devaluation.

ECA, of course, wants more than convertibility in Western Europe.  
That is to be just a first step toward complete economic union.

And some ECA officials think speed in this direction is a must. They want the U. S. to rush European governments into decisive action before local opposition can organize.

They feel Paul Hoffman will need something tangible, like a union, if he's going to sell Congress on the Marshall Plan next year.

They also think progress has to be made toward European union while Marshall Plan aid is there to cushion the shock.

The State Dept. doesn't see eye-to-eye with ECA on union in Europe.

For one thing, State is against using too much U. S. pressure on European governments.

For another, it's not sure that European union is a good thing, especially if it's so big as to include Britain. State doesn't like the idea of a "third force" that might play with Russia as well as the U. S.

It will be six months before the repercussions of this week's historic round of devaluation can be fully realized. But at midweek in—

**Britain:** Cripps' statement that devaluation would bring "no immediate" increase in the British cost of living looked like the understatement of the week. Rubber, cotton, and nonferrous metals prices in London were up by Tuesday. Pressure for wage hikes from railway and metal trades workers may force the Labor Government to retreat once again from its wage line. Odds on a November election—before the storm really hits—looked better and better.

**Canada:** Ottawa claimed Canada's 10% devaluation was designed to salvage some of its competitive position in world markets. But barring a recession in the U. S. or tariff hikes, Canadians feel very little buying will have to be shifted from the U. S. to Britain.

**France:** The Queuille government managed to hide the real extent of the franc devaluation from the French people. The new rate, 350 to the dollar, is actually a drop of 22% in the value of the franc. French export prices have been figured on a rate half-way between the official rate of 214 and the "free" rate of 330. The French people were told the franc was devalued from 330 to 350.

**India:** There is almost no surplus of staples—jute, tea, manganese, mica, etc.—whose exports can be boosted by devaluation. So sterling prices of these goods are already going up. At the same time devaluation shot up the cost of India's dollar imports 30% and these are already at an irreducible minimum. Business circles agree that devaluation was inevitable. But the impact in India seems smaller than in any other sterling area country.

**Australia:** Devaluation has increased the feeling in business circles that a dollar loan is necessary. The Labor Government may turn the Australian banks loose in the U. S. money market (page 122).

**Switzerland:** Despite the fact that the Swiss franc is fully gold covered, it looks as though a 10% to 15% devaluation is in the cards. The Swiss will have to protect their competitive position—especially their hotel industry.

# BUSINESS ABROAD



1934—HULL'S IDEA: Swapping tariff cuts to boost U.S. exports. 1949—ACHESON'S IDEA: Opening the U.S. market to others.

## U.S. Tariff Rates Will Keep Going Down

Next round of tariff cuts will come on manufactured goods. U.S. now committed to buy more. Renewal of Reciprocal Trade Act paves the way. But the tariff issue is by no means finally settled.

Manufactured goods will probably be first to get any new tariff cuts negotiated under the Reciprocal Trade Agreements Act. The Administration has already set September, 1950, as the tentative date for a whole series of tariff cuts to go into effect—and the date may be moved up.

• **The Go-Ahead**—The Administration got the go-ahead on tariff-cutting last week when Congress renewed the act for two years—without the Republican-sponsored “peril-point” clause. Tariff-cutting is one of the ways in which the U.S. has promised to help Britain and Western European countries boost their dollar earnings here (BW—Sep. 17 '49, p19).

The protection-minded Congressmen haven't by any means been silenced yet. In fact, the general devaluation of world currencies will give them a new chance to make themselves heard. Unless a fair means of measuring the effects of tariff cuts is found, the tariff question will remain a handy political issue.

• **New Philosophy**—But that isn't stopping Washington economic experts

from acting on what they call “one of the responsibilities of a creditor nation.” They are convinced that the U.S. must buy more if it wants to keep on selling as much. They welcome devaluation as a step toward the reestablishment of multilateral trade. And they want another round of tariff cuts to help the countries of Western Europe keep the short-term advantage they will gain in the U.S. market from devaluation.

As a result of the Washington monetary talks, the Administration is particularly anxious to talk terms with Britain. But the State Dept.'s trade-agreements section wants to take in a lot of other countries, too: Canada; all of Western Europe, including Germany; maybe even Japan.

• **Policy Change?**—It's not simply that State wants to give Germany and Japan greater opportunities to earn dollars. Here's another factor:

Since the reciprocal trade policy came into force in 1934, U.S. tariff concessions have been made on the basis of “principal suppliers.” That is, if we were ready to cut our import duties on optical

goods, say, we would have to start with Germany because Germany is the principal supplier of optical goods. Once an agreement was made with Germany, it would apply to all countries with whom we had trade agreements.

• **No Cuts Yet**—Germany and Japan are regarded as the principal suppliers of many manufactured products. (That is, they were the principal suppliers before the war, and the State Dept. still considers them as the leaders.) The United States never signed any agreement with either of these countries under the Reciprocal Trade Act. So, on these products, no tariff cuts have ever been made under the act.

Many of these products are on the list of things Britain and other Western European countries particularly want to sell here. But, since Britain (or Belgium, or one of the others) is only second or third supplier, it hasn't been possible to negotiate tariff cuts on any of these items.

• **Up to 50%**—It may be that the Administration will decide to shift its policy, and negotiate on the basis of second or third supplier. In any case, it follows that manufactured-goods categories offer the greatest leeway for cuts. In some cases, the President still has the authority to cut 50% from present rates. (When Congress renewed the act

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in 1945, it gave the President authority to cut 50% off any rate then prevailing, whether or not it had previously been cut under the act. And that's the way the act stands today.)

There are at least 250 fairly important manufactured items that Western Europe exports to the U.S. on which tariff rates now range from 25% to over 100% (ad valorem equivalent). The rate on more than 50 of these items is 50%.

• **Possible Cuts**—Here are a few categories of goods where Europe might expand its exports and where the President has authority to cut-back tariffs:

	Tariff on Jan. 1, 1949	Lowest duty Permissible Under RTA
Cotton manufacturers . . .	23.4%	14.4%
Woolen floor coverings . . .	40 %	30 %
High-grade worsteds . . .	34.8%	24 %
China (25% bone) . . .	35 %	22.5%
Intermediate coal-tar products . . .	44.4%	22.2%
Women's leather handbags . . .	20 %	12.5%
Machinery (excl. farm eqt.) . . .	15 %	13.8%

• **Hull to Acheson**—Apparently, the complete list of permissible cuts hasn't even been worked out yet. And no one has figured out how much this or that tariff cut might injure U.S. industry.

But there is no doubt that the Administration has adopted a new attitude towards tariffs—one that is significantly different even from the reciprocal trade policy as envisioned by Secretary of State Cordell Hull in 1934.

Hull's idea was to increase U.S. exports to aid "in the present emergency (the depression) in restoring the American standard of living, in overcoming unemployment."

Secretary of State Acheson is taking exactly the opposite approach. He is out to help U.S. exports, too, but only indirectly—by increasing U.S. imports.

• **No Reciprocity**—As Administration opponents are quick to point out, there is very little "reciprocal" about Acheson's policy right now.

Most tariff cuts negotiated since 22 nations signed the Geneva Agreement on Tariffs & Trade (GATT) in 1947 have been strictly one-way propositions as far as the U.S. is concerned. GATT has more holes in it than a piece of Swiss cheese. The U.S. was forced to agree to permit the use of import quotas and exchange controls, albeit temporarily. That, in effect, nullified the tariff concessions made by other signers.

But, then as now, there was a realization that if the U.S. wanted to go on exporting on the scale it has been since the war, it must provide some means for other countries to pay for the goods. So U.S. tariff cuts negotiated since GATT was signed have been real. But only when and if trade between the

dollar and non-dollar worlds are brought into balance will the reciprocal part of these agreements have much meaning.

• **Other Bars**—Just how successful tariff cuts can be in getting world trade into better balance is another question for which Washington has no pat answer. There's no doubt that the Europeans are often woefully ignorant of the merchandising techniques needed to sell in the U.S. (page 20).

And then there is strong feeling that it isn't tariffs at all, but administration of tariffs that is keeping European goods out. One leading New York importer believes that Western Europe would sell \$1-billion more here a year if the U.S. customs procedure was overhauled.

But the prevailing opinion in Washington is that devaluation plus U.S. tariff cuts are the principal steps needed to make the U.S. market really attractive.

• **Protection Wanted**—In the past few months, the U.S. Tariff Commission has received many requests for further protection. A manufacturer of dental burrs wanted a boost in the 35% tariff already assessed on imports of his product. Narcissus bulb growers (tariff: 1¢ a bulb) wanted more protection from Dutch competition. Other industries that wanted tariff boosts include: knitted-beret manufacturers (tariff: 37.5¢ per lb. plus 25% ad valorem) and sponge growers (tariff: 15%).

If and when business in the U.S. really falls off, the clamor for tariff protection is sure to become more serious.

• **Balance of Power**—The key to the Administration's success will probably be the attitude of organized labor. During the recent Senate debate on the "peril-point" amendment, the two major opponents were the same two who have squared off over the tariff issue throughout U.S. history. The Southerners—ever anxious for foreign markets for their cotton and tobacco, and at the same time anxious to buy manufactured goods from the North at the cheapest possible price—plugged for low tariffs. Northern and Mid-Western senators—fearful of an influx of "cheap" foreign merchandise—wanted to keep the protection principle in the forefront of U.S. tariff legislation. It was the senators who go down the line with the Administration, those who are most sensitive to the views of organized labor, that held the balance of power.

• **Loss of Revenue**—It will be a long slow job to lay to rest the shades of Smoot and Hawley—if that is possible at all. Even then, the low-tariff supporters will still have to face the revenue involved.

In the first three months of 1949, duties and fees on \$695-million worth of U.S. imports netted almost \$92-million in revenue. That's a rate of almost \$400-million a year.



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# German Cars: Too High Priced for



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MERCEDES-BENZ, a prewar luxury favorite in the U. S., costs Germans about \$3,000.

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Berlin's first auto show since war has plenty of models for the masses, but few to fit their pocketbooks.

BERLIN—In the British sector last week, Berliners trooped to the first auto show in this city since Hitler started World War II.

• **Fancy Prices**—About 80 West German auto and cycle manufacturers brought new wares to the exhibit, which marked the 50th anniversary of the German Automobile Assn. On the whole, financially pinched Germans found the price tags a lot fancier than any of the designs.

Even the Volkswagen, the erstwhile people's car, was beyond most pocketbooks at \$1,635. Cars like the German Ford and the Opel were much higher. Designs, in general, were commonplace. There were no revolutionary mechanical ideas. What improvements there were lay in body styling. The trend here seems to be running toward U.S. lines.

• **Hard Competition**—Over the last year, both the Germans and the U.S.-British economic officials have worked hard to boost auto exports. Cars have dominated most of the trade and export fairs.

Agencies have been set up or reopened in many European countries. But high production costs and the 30¢ mark have brought the Germans in second-best in competition with many other European car makers.

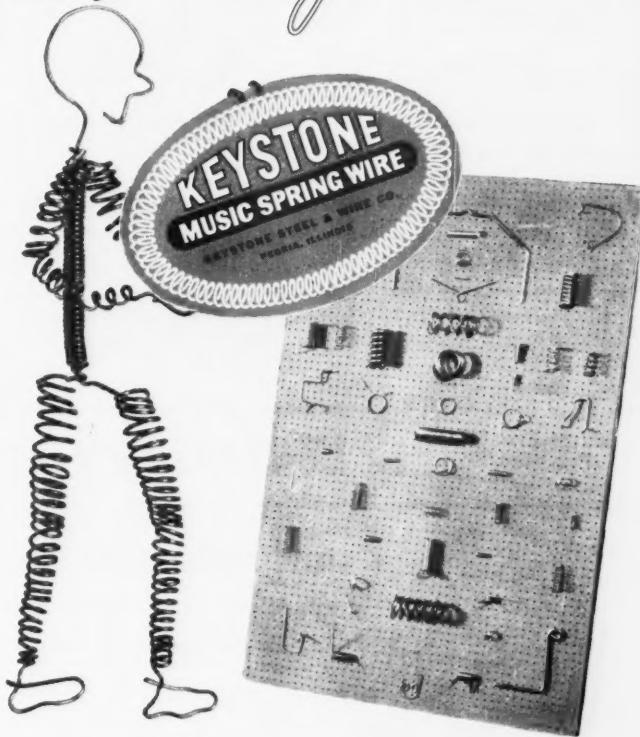
As far as the exchange rate goes, there may be a change for the better, but probably not for a while yet. Not enough German goods are in the competitive market to warrant such a step. Recovery is still too premature.

The Allied High Commission has turned over responsibility for deciding on devaluation to the new West German government. The commission will review any decision the Germans reach.

Of course, the mark today is tied a lot more closely to the dollar than it is to the pound. Trade is still on a strictly barter basis. When Germany gets farther into competitive trade, a 20¢ mark may be in order.

• **Production Is Key**—Regardless of what happens, the Germans won't really be able to get prices down until they step up production. That will take new machinery, some of which already has started to come in under ECA. And now that the ban is off investments in West Germany, Ford and General Motors-owned Opel, at least, should get more help from outside.

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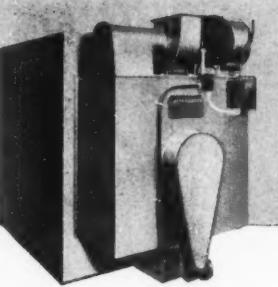


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## **Dollars Wanted**

**Australian businessmen say devaluation of the pound makes it even more urgent that they get loan from U. S.**

MELBOURNE—First reaction to devaluation here has been increased clamoring for a dollar loan. Industry leaders think one is needed to prevent a collapse of Australia's postwar industrialization program.

• **More Urgent**—Businessmen, financiers, and some members of the Labor Party started to press for a loan after Australia decided to go along with Britain in cutting dollar imports 25%. Now with the new \$2.24 rate for the Australian pound (lower than most people expected), businessmen believe a dollar loan is more urgent than ever. Australia's dollar earnings, like receipts from the current wool auctions, may increase in the short run. But the ultimate solution to Australia's dollar troubles will take more than devaluation, they think.

• **No Action Now**—Prime Minister Chifley's Labor Government hastened to scotch all rumors that Australia is sounding out the World Bank or the International Monetary Fund for a loan. The government's line is that the dollars needed to service such debts might just be an added millstone around its neck. Chances are, though, the government is more worried about committing itself to a loan before the December elections than it is about the cost of such a loan.

With devaluation, a new dollar source may open up, however. It's likely Australian bankers will be able to get government permission to try their luck floating loans in the U. S. The new rate should make it easier for the Australians to get dollars on acceptable terms.

• **Effect on U. S.**—U. S. business interests in Australia would probably benefit some from a dollar loan. But it wouldn't do much to clear up the cloudy investment climate.

All along, the Australians have been lukewarm to schemes for increasing U. S. investments down under. The Australians fear added investments might step up the drain on dollars—not cut it back. They argue that U. S. investors, coming into Australia now, might be able to reap huge profits under the protection of the government's import control program. If they took out the profits, the Australian dollar debt would be even bigger than it is now.

• **Double Tax**—The Australians argue along this same line against those

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U.S. investors who want to get rid of the double tax on profits earned in Australia. The Australians feel that as long as American investors are compelled to pay full taxes both in Australia and in the U.S., there is a good chance the U.S. investors will leave their profits where they made them.

## BUSINESS ABROAD BRIEFS

The Netherlands' drive for dollars includes an incentive scheme for exporters: "free use with certain restrictions" of 10% of their net dollar revenues. Funds can be used to pay for any commodity or service. There are also plans to set up Dutch restaurants and showrooms in U.S. cities.

**More Pakistan plants:** Dayton Rubber Co. will start blueprints for a factory to turn out 600 tires and tubes a day. And a British concern—Thomas Firth, John Brown & Co.—is negotiating to build a small steel and iron mill (about 60,000 metric tons a year).

**Rio's sports stadium,** slated for completion in June, 1950, will seat 150,000, hold 200,000 without squeezing. Brazilians claim it will be the biggest in the world.

**First factory for prefabs in India,** finished next month, will be turning out 100 houses a week by mid-1950. Britain's Structural Mechanical Development Engineers are the owners.

**Secret talks on plane production** are under way between Britain and Australia. They are part of a plan to mass-produce new types of jet-propelled fighters and bombers outside the British Isles.

**First load of British vehicles** for the newly formed Indian Sales Corp. arrived in Boston last week. Indian Motorcycle Co. set it up to sell British-made bicycles, motorcycles, and scooters. The British goods won't compete directly with Indian's own lines.

**Leyland Motors,** Canadian branch of the British Leyland Co., has bought Fairchild Aircraft's old plant at Longueuil, Quebec. Leyland will use the plant to turn out diesel trucks for the American market.

**Japanese copper men** are still plugging for a subsidy—despite Washington's insistence on a no-subsidy program. Producers want the Japanese government to buy about 10,000 tons of their copper at the same (higher) price it would have to pay for imports from the U. S.

## ADVERTISERS IN THIS ISSUE

Business Week—September 24, 1949

AIR REDUCTION SALES CO.	68	MANNING, MAXWELL & MOORE, INC.	44-84
Agency—G. M. Basford Co.		Agency—Briggs & Varley, Inc.	
ALAN WOOD STEEL CO.	31	MARINE OFFICE OF AMERICA	74
Agency—John W. Wood & Co., Inc.		Agency—Preston & Co., Inc.	
ALUMINUM CO. OF AMERICA	70	MARITZ SALES BUILDERS	112
Agency—Fuller & Smith & Ross, Inc.		Agency—George A. Markins & Assoc.	
AMERICAN AUTOMATIC TYPEWRITER	58	MARY ANDY	120
Agency—Franklin, Noyes & Co.		Agency—James Chase Co.	
AMERICAN BRAKE SHOE CO.	98	THE MCBEE CO.	37
Agency—Fuller & Smith & Ross, Inc.		Agency—LaRochelle, Ells, Inc.	
AMERICAN CYANAMID CO.	29	McCLOSKY CO.	66
Agency—Hazard Advertising Co.		Agency—Fuller & Stark, Inc.	
AMERICAN HORN & BRICK CO.	75	McGRATH-HILL BOOK CO. INC.	100
Agency—The Alford Co.		MINNEAPOLIS-HONEYWELL REGULATOR CO. (BROWN INSTRUMENTS DIV.)	86
AMERICAN MUTUAL LIABILITY INS. CO.	5	Agency—The Airtight Kynett Co.	
AMERICAN NAME PLATE & MFG. CO.	120	MODERN TELEPHONE CORP.	82
Agency—Metzger-Kenzel Co.		Agency—The British Export Trade Ads. Corp.	
AMERICAN RADIATOR STANDARD SANITARY CORP.	8	MONROE CALCULATING MACHINE CO.	43
Agency—Batten, Barton, Durstine & Osborn, Inc.		Agency—Aiken & Richards, Inc.	
AMERICAN TELEPHONE & TELEGRAPH CO.	12	MOSINEE PAPER MILLS CO.	47
Agency—Newell Emmett Co.		Agency—Klau-Van Peltersom, Dunlap Assoc., Inc.	
AMERICAN TELEPHONE & TELEGRAPH CO.	6	NATIONAL BLANK BOOK CO.	41
Agency—N. W. Ayer & Son, Inc.		Agency—Stevens, Abbott	
ARMSTRONG CORK CO.	91	NEW JERSEY COUNTY	89
Agency—Batten, Barton, Durstine & Osborn, Inc.		Agency—United Ad. Agency	
ASSOCIATION OF AMERICAN RAILROADS	42	N. Y. STATE DEPT. OF COMMERCE	81
Agency—Benton & Bowles, Inc.		Agency—Batten, Barton, Durstine & Osborn, Inc.	
ATLANTIC POWER CO.	107	NORFOLK & WESTERN RAILWAY CO.	95
Agency—The Airtight-Kynett Co.		Agency—House, Co., Adv.	
BABCOCK & WILCOX CO.	57	OTIS ELEVATOR CO.	101
Agency—O. S. Tyson & Co., Inc.		Agency—G. M. Basford Co.	
BALTIMORE & OHIO RAILROAD	35	PACKAGE MACHINERY CO.	36
The Richard L. Colgate Ad. Agency, Inc.		Agency—C. W. Power Co.	
BENDIX AVIATION CORP.	94	PEOPLES FIRST NATIONAL BANK & TRUST CO.	70
Agency—MacManus, John & Adams, Inc.		Agency—Ketchum, MacLeod & Grove, Inc.	
RICHARD BEST PENCIL CO.	82	ALBERT PICK CO., INC.	112
Agency—C. C. Cross Co., Inc.		Agency—Loring, Loring & Co.	
BLAW-KNOX CO.	72	PITTSBURGH ELECTRODRYER CORP.	122
Agency—Al Paul Letton Co., Inc.		Agency—Fuller & Smith & Ross, Inc.	
CAMPBELL, WYANT & CANNON FOUNDRY CO.	80	PITTSBURGH STEEL CO.	110
Agency—W. E. Peacock, Inc.		Agency—Kaufman, Inc.	
CELANESE CORPORATION OF AMERICA	85	PLASKON DIVISION, LIBBEY-OWENS-FORD GLASS CO.	39
Agency—Ellington & Co., Inc.		Agency—McDrum & Fawsmith, Inc.	
CENTRAL PAPER CO., INC.	94	PLUS COMPUTING MACHINES, INC.	93
Agency—Crossland Ad. Service		Agency—Fuller & Smith & Ross, Inc.	
CHRYSLER CORP., INDUSTRIAL ENGINE DIV.	46	PORTLAND CEMENT ASSOC.	104
Agency—Zimmer-Keller, Inc.		Agency—Roche, Williams & Cleary, Inc.	
CITIES SERVICE OIL CO.	99	RAPIDS-STANDARD CO., INC.	46
Agency—Crossland Ad. Service		Agency—Wesley Aver & Assoc.	
CLARK INDUSTRIAL TRUCK DIV.		RECORDADVERTISING, INC. (Sub. of EASTMAN KODAK)	113
CLARK EQUIPMENT CO.	62-63	Agency—J. Walter Thompson Co.	
CLYDELAND ELECTRIC ILLUMINATING CO.	105	RELIANCE ELECTRIC & ENGINEERING CO.	33
Agency—D'Arcy Ad. Co.		Agency—Medrum & Fawsmith, Inc.	
CRUCIBLE STEEL OF AMERICA	103	REMINGTON RAND INC.	7
Agency—G. M. Basford Co.		Agency—Jefford Ad. Agency, Inc.	
DEAN G. DILLY	84	ROBBINS CO.	108
Agency—West Marquis Inc.		Agency—Franklin Ad. Service	
A. B. DICK CO.	71	JOHN A. ROEBLING'S SONS CO.	114
Agency—Fuller & Smith & Ross, Inc.		Agency—Kaufman & Oliver, Inc.	
C. A. DUNHAM CO.	38	ROSS CARRIER CO.	102
Agency—The Dunham Co.		Agency—Paxson Advertising	
THOMAS A. EDISON INC., STORAGE BATTERY DIV.	4	SAFETY STORES INC.	108
Agency—Lucky Company		Agency—Albert Frank Guenther Law, Inc.	
THE FAFNIR BEARING CO.	3rd Cover	SAN JOSE CHAMBERS OF COMMERCE	98
Agency—Crossland Ad. Service		Agency—Francis J. Walk, Adv.	
FANSTEEL METALLURGICAL CORP.	60	SHAKEPROOF INC.	4th Cover
Agency—Symonds, Mackenzie & Co., Inc.		Agency—Walde & Brings, Inc.	
FORD MOTOR CO.	30	THE SHEFFIELD CORP.	88
Agency—J. Walter Thompson Co.		Agency—Ward & Aldred, Adv.	
GENERAL AMERICAN TRANSPORTATION CORP.	83	SINCLAIR OIL CORP.	27
Agency—Weber & Geller, Inc.		Agency—Doremus & Co., Inc.	
GENERAL ELECTRIC CO., LAMP DEPT.	18	SOUTH CAROLINA RESEARCH PLANNING	
Agency—Batten, Barton, Durstine & Osborn, Inc.		Agency—John Henderson Ad.	92
THE GLOBE-WERNICKE CO.	34	SPERRY GYROSCOPE CO., INC.	17
Agency—Kammann-Mahan, Inc.		Agency—Chas. Dallas Reach Co., Inc.	
T. B. F. GOODRICH CO.	1	SUN OIL CO.	48
Agency—Crossland Ad. Service		Agency—Kear & Rogers	
GOULD STORAGE BATTERY CORP.	40	SURFACE COMBUSTION CORP.	32
Agency—Hutchins Ad. Co., Inc.		Agency—Bosch Falter Reichert, Inc.	
GRINNELL CO., INC.	11	SYLVANIA ELECTRIC PRODUCTS, INC.	2-3
Agency—Horton Young Co.		Agency—Newell Emmett Co.	
HAMMERSLEY PAPER CO.	50	U. S. STEEL CORP.	110
Agency—Batten, Barton, Durstine & Osborn, Inc.		Agency—Batten, Barton, Durstine & Osborn, Inc.	
HANSEN MFG. CO., INC.	118	VIKING CORP.	122
Agency—Hathaway Ad. Agency		Agency—The Janus Co., Adv.	
HOTEL STATLER CO.	14	WABASH RAILROAD CO.	97
Agency—Crossland Ad. Service		Agency—Kaufman & Oliver, Inc.	
INDUSTRIAL TAPE CORP.	65	WAR ASSETS ADMINISTRATION	110
Agency—Kemyon Eckhardt, Inc.		Agency—Kudner Agency, Inc.	
INTERNATIONAL MINERALS & METALS CORP.	59	WARNER & SWASEY CO.	2nd Cover
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JAMES HOTEL CO.	96	THE WAYNE PUMP CO.	28
Agency—George Knott & Assoc.		Agency—Boush Ad. Agency	
KEYSTONE STEEL & WIRE CO.	121	WEBER ADDRESSING MACHINE CO.	81
Agency—Crossland Ad. Service		Agency—Almen Brooks Wilder, Inc.	
KOPERS CO., INC.	111	WEBSTER ELECTRIC CO.	61
Agency—Batten, Barton, Durstine & Osborn, Inc.		Agency—Kaufman & Oliver, Inc.	
KOPERS CO., INC.	78	WEST VIRGINIA INDUSTRIAL & PUBLICITY COMMISSION	67
Agency—Van Sant, Duigdale & Co.		Agency—Advertising, Inc.	
THE LORAY MOISTURE TESTER	108	WESTERN UNION TELEGRAPH CO.	67
Agency—The Emery Ad. Co., Inc.		Agency—Western Union Co.	
A. H. LAUNDRY	120	WESTINGHOUSE ELECTRIC CORP. (LAMP DIV.)	76-77
Agency—Crossland Ad. Service		Agency—Fuller & Smith & Ross, Inc.	
LURIA ENGINEERING CORP.	106	WESTINGHOUSE ELECTRIC CORP.	109
Agency—Crossland Ad. Service		Agency—Fuller & Smith & Ross, Inc.	
LYON METAL PRODUCTS	68	WILLMARK SERVICE SYSTEM	73
Agency—Heimke, Meyer & Finn, Inc.		Agency—Blitberg, Adv. Co.	

# The British Crisis and the U.S. Economy—II

Britain's foreign-exchange crisis has been brought under control, for the short run at least. Devaluation of the pound to \$2.80 will check the drain on London's dollar reserves and greatly strengthen Britain's position in world trade.

Special U.S. help growing out of the Washington financial talks will also help to stabilize the British position. What's more, the decisions of the last two weeks have ruled out a British effort to find a solution in an exclusive sterling trade bloc.

However, nothing would be more dangerous than to assume that the crisis in international trade has been solved by this week's dramatic world-wide shakeup in currency rates.

For Britain to capitalize fully on devaluation, other steps must be taken by the Labor Government—such as a cut in government expenditures, dropping of some trade controls, and an attack on industrial restrictionism whether it is imposed by management or by labor.

And for the Continent to reap the full benefit of its nations' currency adjustments, some of the same medicine is needed at the national level—plus a breakdown of intra-European trade and currency barriers.

When that point is reached, if it is, there will be good reason to believe that Britain and Western Europe are making a real effort to become competitive again. In other words, the course of policy will be pretty well set across the Atlantic.

## Our Own Policy Problem

What of the direction of U.S. policy? Decisions made in Washington in the next few months are of extreme importance. They will determine to a large extent how courageous Europe can and will be. They will determine to a large extent just how much chance there is for Europe to boost its dollar earnings and bring its trade with the U.S. into balance.

The stage was set for hammering out such decisions in the Washington communique at the end of the ABC talks. For, in that statement, the Truman Administration committed the U.S. to accept its responsibilities as the one great creditor nation in the world.

Here's what this probably means in concrete policy decisions:

(1) The Truman Administration will propose that the U.S. pick up some of the burden that Britain has been carrying in southeast Asia. The proposal might be for a recovery program modeled after the Marshall Plan, though on a much smaller scale. Or it might be simply for the World Bank and Monetary Fund, plus our Export-Import Bank, to meet the area's dollar needs.

Such a proposal would have a political purpose: to strengthen the anti-Communist front in Asia, and, in particular to cement American-Indian ties. But it would also be designed to relieve the pressure exerted on Britain by its huge war debt to India and Pakistan. If

the U.S. supplied more of India's needs, these countries would not have to call on Britain for so much in the way of "unrequited" exports. This, in turn, would relieve the inflationary pressure in the sterling area.

(2) The Truman Administration will take another crack at the U.S. tariff structure as a way to increase our imports. Some trade experts in Washington would like to have U.S. tariffs come down, regardless of what other countries do about their tariffs. They feel that, from a purely economic angle, unilateral action by the U.S. is in order today. But in fact, action will be taken under the authority of the Reciprocal Trade Agreements Act. In either case, of course, tariff cuts would have to fall for the most part on manufactured goods (page 117).

There is no hiding the fact that some American industries would be hurt by the weakening or removal of existing protection. This is especially true because it would come on top of general currency devaluation abroad. On balance, however, the American consumer should gain.

Will the American people back an Administration policy of this kind? Until the proposals are actually made, we shouldn't care to predict the answer to that question. What's certain is that the U.S. has to make up its mind soon where it wants to pinch its economy —via higher imports or via falling exports.

For one or the other is certain. We must face the fact that our exports will drop, and probably drastically, as the Marshall Plan ends—unless the world gets roughly an equivalent amount of new dollars from U.S. imports, plus U.S. loans and investments abroad. Given action on both the import side and the investment side, the U.S. foreign-trade gap might be closed without any substantial drop in exports.

Moreover, it is not only the amount of our export trade that's at stake. The conditions under which we are going to trade in the future—whether by competition or by barter—are also involved. There's no possibility of restoring multilateral trade at a low level.

## How To Find a Solution

But it is easier to pose the problem than it is to find the solution. Perhaps what is needed is a thorough examination of our whole foreign-trade position by a non-political committee made up of leaders from industry, labor, and agriculture. Such a committee might be appointed by the President as was the Harriman Committee on the Marshall Plan. Or it might be appointed jointly by the President and Congress.

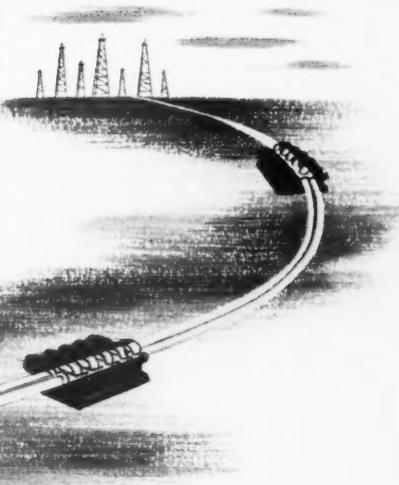
The committee's task would be:

(1) To establish the facts of the U.S. foreign-trade gap;

(2) To appraise the consequences to the U.S. economy if that gap is closed by a drastic drop in exports;

(3) To recommend, if possible, ways in which the gap might be closed at a high level of trade.

# Holding a stop watch on a GLUG...



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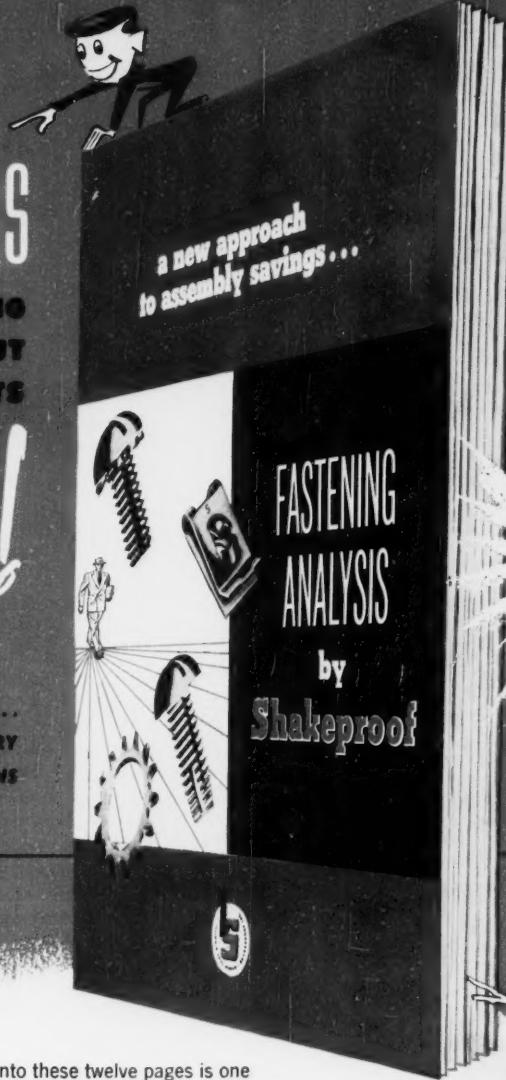
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